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Standing committee on finance and economic affairs

Insurance Statute Law
Amendment Act, 1993

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mercredi 3 février 1993

Comité permanent les finances et des affaires économiques

Loi de 1993 modifiant les lois
concernant les assurances



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 3 February 1993

The committee met at 1000 in the Delta Ottawa.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993 LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Chair (Mr Ron Hansen): Good morning. We'll resume the hearings for the standing committee on finance and economic affairs on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. I'd like to welcome Mr McGuinty and Mr Mahoney, some new members, and Miss Irene Mathysen to the committee this morning.

DAVID W. SLATER

The Chair: Our first presenter is Dr David W. Slater, and he's sitting in front of us. If you don't mind starting, we have one half-hour, and leave some time at the end for members of the committee to ask questions. You may begin.

Dr David W. Slater: Some of you would know I'm an ancient university professor, and then a public servant and then a gadfly doing various sorts of things for churches and various non-paying organizations. I've prepared notes, and in the interest of economy I'll run through those with you. I think I can get them in in 15 minutes and leave half the time for questioning.

Since I completed the Ontario Task Force on Insurance report in 1986 I've had a continuing interest in the subject. From time to time since then, I've been asked by the Ontario government to comment on automobile insurance matters and I've done so. This has been an entirely voluntary activity. I have not been a paid consultant to the government on this subject. I offered to testify on Bill 164 and hope I can be of a little help in considering the bill.

As I understand it, this bill is concerned with compensation for personal injury, physical or psychological, arising from automobile accidents. It does not deal with property damage arising from the use of automobiles. The bill proposes significant reforms and extensions of the current plan—that is, the Ontario motorist protection plan, or OMPP—which came into force in January 1990. That plan was an enormous improvement on the regime that existed before that time and most of these improvements are retained under Bill 164, but important additional reforms are proposed.

In all but a few jurisdictions in North America, compensation for injury arising from automobile accidents is a mixture or blend of no-fault compensation and compensation

through the tort system. Each has advantages and disadvantages. It is widely agreed—at least I believe it is—that to base compensation for such injuries completely on the tort system would be inefficient, inequitable, outrageously costly and slow. It's also widely agreed that even if no-fault compensations are generous, prompt, fair and efficient for most injuries, to allow some use of the tort system for determining some part of the compensation can be reasonable, equitable and efficient. Thus, the issues concern the design of the no-fault and tort elements and their relationships.

Bill 164 proposes, first, more generous no-fault compensation for all economic losses arising from injury from automobile accidents, combined with the right to use the tort system for compensation for pain and suffering, but pain and suffering only, subject to the \$15,000 deductible from an award. This is a unique blend of the two elements. My interpretation of the proposal is as follows:

Generous no-fault compensation is to be offered for economic losses, but without no-fault compensation for pain and suffering. It assumes that minor pain and suffering will be accepted by the injured without compensation. However, if victims consider their pain and suffering to be substantial, they can use the tort system to claim compensation for pain and suffering. They will have to decide whether the likelihood is the amount of the award would be greater than the deductible plus such costs as they may have to cover. However, under the proposed bill, use of the tort system will not be permitted for compensation for economic losses.

The bill appears to recognize, but one can hardly say so explicitly, that the Ontario motorist protection plan, the current system, was an enormous improvement on the previous arrangements in Ontario. In the first place, the system was moved to a first-party basis under which premiums are paid to and benefits received from one's own insurance organization.

Secondly, and probably most important, the erosion, in real terms at least, of the no-fault compensation in the previous system was reversed. Those benefits under the previous system had become so small that most Ontario victims were almost forced to use the tort system even for modest compensation. The balance of no-fault and tort-based compensation had been shifted enormously to the tort system. The OMPP shifted the balance back towards no-fault elements of compensation. Also an improvement, the no-fault compensation for all types of economic losses was greatly increased and the use of structured settlements in arbitration was encouraged.

The three years of experience under the OMPP have shown, I believe, considerable improvement in the fit of compensation to need, and in efficiency. In introducing Bill 164, however, the government has taken the position

that some elements of the current system are in urgent need of further reforms.

In my judgement, the most important proposal is to permit somewhat greater use of the tort system for compensation, in this case of pain and suffering only, not economic losses. The use of the tort system for these purposes is to be a right of individuals. They have to judge whether or not they will use the system. They, together with their advisers, will have to consider whether they can establish that some other individual or individuals were negligent; that is, that their behaviour fell below a reasonable standard of conduct, measured objectively. As the ministry has put it, "A driver will not be liable if he or she acted with due care and attention, or if the accident was unavoidable."

The government believes that the no-fault compensations under the current plan are inadequate in a number of respects, and detailed proposals for increases in benefits have been made. These should be considered on their own merits, but I think it's important also to relate them to the proposed tort changes. If the tort system is not to be available for compensation for economic losses, then all that much better should be the no-fault compensation for such losses. If the deductible and costs are a deterrent to use of the tort system, then the no-fault program must be, and be seen to be, appropriate, perhaps even generous, compensation for economic losses.

It's generally agreed that the proposals under Bill 164 will result in increased benefits, therefore increased costs and therefore increased premium rates; by how much is difficult to say, in part because so little experience has accumulated under the OMPP. As I understand it, the automobile insurance industry has been somewhat more profitable since January 1990 than before that date. Most studies have indicated that the industry is a competitive one and that average profits over time could be expected to fall into the competitive range, having regard to the capital required and the risks.

It's too soon to be certain about where the industry is in the adjustment process to the OMPP and changing circumstances. However, and I think this is an important point, I would not expect trimming of future profit margins to be sufficient to absorb the increases in costs which will arise from the government's proposals. The fundamental economic question therefore will be whether the significant increases in benefits and increased use of the tort system are worth the increased costs.

I am of the opinion that the approach and structure proposed in Bill 164 are sound and worthwhile. I raise some questions about those in a moment, but let me indicate why I think this way.

First, the government's proposals are based on a thorough program of research and embody a carefully thought-out program. I, in the course of the consultations from time to time with the government, have been able to follow the research program.

Secondly, I accept the fundamental premise of the bill that most automobile accidents in our society are just that, matters of chance for people who are exercising reasonable standards of conduct, with due care and attention

rather than being negligent, but negligence also is part of the current use of automobiles. Anybody who observes the number of people running red lights deliberately in Ottawa has to be a believer in negligence.

I therefore accept the fundamental premise of the bill that no-fault compensation should meet the vast majority of losses arising from injury from automobile accidents. No-fault compensation could be timely, efficient and equitable for dealing with most economic losses. I believe that the no-fault compensation proposals in this bill are well and carefully crafted.

The blend of no-fault compensation and the permitted resort to the tort system appears to me to be sensible, but I'm not able to evaluate its legal status; I'm not a lawyer. Even if the arrangements are sound to begin with, it will be necessary, of course, to monitor the developments because things will change over time.

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The combination of the proposed deductible from tort awards and costs which will fall on the users of this tort system should not be a barrier to those who suffer substantial pain and suffering, but they should deter the use of that system for minor pain and suffering. The proposals continue the first-party approach to the delivery system, which I think is good. I strongly support the improvement of the rehabilitation benefits.

I consider actions to promote safe driving and deter unsafe driving to be important elements of the overall program dealing with automobile use. I believe that the deterrent effects—and there are some deterrent effects—of a strongly tort-oriented compensation system to be small, inefficient and inequitable. Therefore, I look to other means of deterrence, including stiff penalties for bad driving records.

Finally, I think several features of the bill should be examined more closely, and you may want to consider some changes.

Firstly, the matching of the no-fault benefits to the various types of cases—fully employed, unemployed, students, older people and so on—has been carefully designed, so far as I can see. However, I suspect that difficult cases will arise in which people do not fit into the various categories. Can additional provision be made for dealing with what I'll call hard cases in an efficient and equitable manner?

Secondly, have the relationships to other programs, such as Workers' Compensation and OHIP, been worked out, particularly when we consider that the Workers' Compensation thing is under review?

Thirdly, can supplementary accident and disability insurance be readily available for those persons who consider the no-fault benefits to be inadequate?

Fourthly, may there be serious problems of implementation of the new program through 100 to 200 insurance companies and hundreds of brokers and adjusters? The programs are understandably complex. The translation of new proposals into premium schedules will also be complex. A massive education program for the public will be required. Have these things been given sufficient consideration?

Fifthly, while the indexation to the CPI is an improvement over the current program, sooner or later the

appropriate indexation will have to reflect the costs of the program, which may differ considerably from the CPI.

Finally, is the proposed—and this not a special pleading—compensation treatment of persons over 65 an appropriate fit to the current and prospective earnings and work patterns of such persons?

The Chair: We'll start off with Mr Mancini.

Mr Remo Mancini (Essex South): Mr Slater, thank you for your brief. We acknowledge you've had considerable history in advising governments and other organizations and individuals on insurance reform. I'm not sure I can call Bill 164 insurance reform. It certainly changes the status quo, the Ontario motorist protection plan, which I favour over Bill 164. I'm not quite sure I can refer to Bill 164 as insurance reform.

I was wondering if you would agree with me that the new regulations that have been prepared by the government—68 pages of new regulations that are going to be given to the industry brokers, to consumers who have to buy the product—are very complex.

Dr Slater: The answer is yes. The problem one's faced with in this situation is that if one's trying to define in a careful way and differentiate all the different categories of situations which people may find themselves in and you're trying, in a sense, to cover all the bases, you're necessarily going to get into something which is pretty complex. Even so, as you've seen from my testimony, I'm a bit concerned. There still could be lots of situations where people fall through the cracks.

Mr Mancini: We've heard from the industry and we've heard from brokers, people who have to sell the product to their customers and face them across the table every day, that they themselves are going to have great difficulty in understanding these 68 new pages. They are very worried that the costs of educating every broker in the province and educating every consumer are going to be very large and that these costs are going to be borne by the consumers. Would you not agree that would be the case?

Dr Slater: I don't know how large they will be. They certainly are going to require effort. The only thing which I can judge by is the dealings I've had with my own broker in the changeover to the OMPP. Partly because I guess I thought I knew a little bit about it, I would keep quizzing them and they would dig and dig. But it is a significant learning exercise.

Mr Mancini: Are you aware that the regulations under the Ontario motorist protection plan are 18 pages as compared to these 68 pages? We've had testimony from insurance experts, from legal experts, from people all over this province; we had testimony yesterday in Windsor from several litigation lawyers who spend their entire lives litigating cases who have told us they have read these regulations 10 and 11 times and still cannot understand them.

Mr Slater, would you agree with me that we need a road safety program in this province to cut down on the number of automobile accidents and therefore cut down on the costs of car insurance?

Dr Slater: I would agree with that. When I did the work on the task force on insurance, auto insurance was not the crisis thing at the moment. What was happening, of course, was that the use of the tort system was expanding rapidly and many of these kinds of North American tendencies towards excessive litigation were creeping in. But one of the things that I found from that experience was that the information base on driving records, accidents etc in Ontario, at that time at least, was highly fragmented. It was impossible, with the material that was available, to figure out what was happening and to design and implement a safe-driving program. There's no question in my mind.

Mr Mancini: I want the record to show that the opposition parties have been in favour of road safety legislation and are prepared to help the government pass road safety legislation when and if it gets the time to bring it forward.

My last question to you, Mr Slater, is the following, and I have to put on the record my bias here this morning. My bias is for the consumer who has to buy the end product, whether or not affordability is a concern of yourself and the government members and anyone else who is here listening today or is interested in the insurance industry.

I have found through testimony that has been given to this committee that most people have reached their maximum ability to pay for automobile insurance. They are very concerned that Bill 164 may add up to \$200 per automobile premium and that farmers, senior citizens and women who earn less money than men, those three groups in particular, are going to be hit the hardest. Are you absolutely sure that the contents of Bill 164 are worth these extra costs that people are going to have to pay, even when we know in this terrible recession they are not able to pay?

Dr Slater: That's a judgement that you people have to come to. My view is that there clearly are going to be increased costs, and increased costs would mean increased premiums. But I am of the view that many of the improved benefits that are suggested are in fact sensible and attractive. In particular, the rehabilitation improvements are, I think, a very significant improvement for this society. Whether people will consider those things to be a decent balance between cost and benefit is for you and for them to decide.

I do, however, suggest that attention should be given to the question of whether the differentiations of the premiums reflect the status of various people. Take a specific case. If there are groups of people who under the compensation proposals would not get significant benefits and others would, one would hope that the premiums would be tailored to the group in a way that reflected the notion that if you're getting less in benefits you'll pay less in premiums.

We all know that in the insurance pool there is a significant element of cross-subsidization so that there are some people who are paying more, in a sense, than the benefits they're getting and some people less, and that's the essence of an insurance pool.

The question I think then is, are the pools and the differentiations reasonable or not? For farmers and for older people, those are serious questions. Will the rates for

farmers and for older people reflect the differentiation of their benefits and experience?

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Mr David Tilson (Dufferin-Peel): Thank you, Mr Slater, for coming this morning and giving us your thoughts on this topic. I picked up somewhere in your remarks the observation that auto insurance at the time of Bill 68 really wasn't a pressing subject—well, it was, because rates were going up; that's not true. OMPP was passed and OMPP rates were to go down. Well, they didn't go down. They've either stayed the same in some cases or have gone up in many cases. So that adventure didn't work.

If it wasn't of urgency then, I, for the life of me, can't see why it's of urgency now. Specifically when you're looking at an innocent accident victim who is now going to be paying more for less—those are the facts that have been given to us by all kinds of different sources, by people from Thunder Bay to Toronto to Windsor and, I expect, Ottawa. Those are the facts that are being presented to this committee, and that's notwithstanding the fact that auto insurance is not going down; it's going up, and that's just through the regular course of things.

On top of that, the insurance companies are saying, "Well, it could go up as high as 20%," over and above this 4% or 5% increase that they're now talking about.

The papers came out today, with the deficit creeping up to \$13 billion. We're in a terrible recession. Why would the government want to do it now, of all times, when it isn't one of the pressing issues, when jobs and other issues are more pressing, when people are more interested in keeping their jobs than paying out all of these expenditures?

I must confess, I find it interesting that you imply at least that now is the time to do it. I would think that now is not the time to make any changes in auto insurance. It's the worst time of all.

Dr Slater: Two or three points, Mr Tilson. First, facts are in the eye of the beholder in this game, as you know very well, so sorting out facts and allegations is really part of what you people are faced with.

You, I'm certain, will not believe everything you're told by me or by anybody else. But on a serious note, until the reform that was introduced in the Ontario motorist protection plan, the automobile insurance situation in Ontario was on a slippery slope, enormously well greased.

First of all, if you look at the increases in automobile premiums and separate out the property damage from the bodily injury piece of the thing prior to the new plan, it's perfectly clear that the property damage side was increasing, in part as a reflection of the more complicated cars and more expensive repairs and all that sort of stuff.

On the bodily injury side, it is also perfectly clear that that piece of the cost of the insurance in the province was increasing at much more than the rate of inflation, and the driving force behind it was the increased use of the tort system. The tort system was having to be used for everyday compensation for ordinary people because the no-fault elements were so terrible. So it's absolutely vital, if you're going to have a system which has a reasonable balance

between no-fault compensations and the use of the tort system, that no-fault benefits be improved considerably.

Mr David Winninger (London South): Dr Slater, you probably know more than most people about this issue, having heard countless presenters, I'm sure, some years ago. Yesterday in Windsor and in other localities we had several people come forward and plead for reinstatement of greater access to tort. I'm sure you're familiar that on average a driver probably makes 200 observations per mile and 20 decisions per mile and one error every two miles, and that's just the average driver, according to the Canadian motor vehicle traffic accident statistics. So there is some argument to be made, certainly, that the old tort system in the early 1980s tended to penalize the average driver who might make a fractional error in judgement. Will you agree with that, first of all?

Dr Slater: Oh, yes, I think that's absolutely clear.

Mr Winninger: Secondly, you seem to appreciate some of the improvements that have been made in Bill 164 in that we've lowered the threshold for pain and suffering, we've improved the loss-of-income benefits, we've taken caps on rehab. You particularly seem to appreciate that reform—

The Chair: Sir, did you say "Yes"? Because Hansard can't pick up—

Dr Slater: I'm sorry; the answer's yes, there have been improvements. As I've indicated, Mr Chairman, if one is going to exclude the use of the tort system for economic losses, then the benefits under the no-fault system have to be good enough to cover most of the people for most situations promptly, quickly and fairly. It's just an absolute necessity if you're going to exclude the use of the tort system for economic losses.

Mr Winninger: And you'll probably know that Bill 164 takes in 97%—

Dr Slater: Those are the estimates.

Mr Winninger: —of the wage loss of full-time earners, compared to only 73% under the OMPP.

My question to you was going to be this. On the last page of your brief you address the issue of annexation, which would be tied to the consumer price index, and you suggest that while that's an improvement, sooner or later the appropriate indexation will have to reflect the costs of the program, which may differ considerably from the CPI. I wonder if you could elaborate on that.

Dr Slater: The simplest illustration is this: If once again we get this country working with improvements in productivity on average over the years, the average industrial wage should grow somewhat more rapidly than the CPI. That's just the way in which you translate it, through productivity, into increased real income for people. If the compensation for loss of income is going to reflect the income status of people in the country instead of just the CPI, some day we're going to have to update the thing to reflect what has happened to the average industrial wage.

It's the same thing with respect to rehabilitation. If it turns out that, even with the best management, rehabilitation costs keep going up more rapidly than the CPI, some

day you may want to have a fresh look at that. But that's something down the road. You don't have to worry about it today, except that one ought to, in any review arrangement, have on the agenda that kind of issue.

The Chair: Okay.

Mr Winner: Mr Klopp had a very good question.

The Chair: I'm sorry; time's run out. Dr Slater, I appreciate your showing up this morning. Your presentation here has put maybe a little bit of new life in the insurance issue. Thank you.

Dr Slater: Thank you very much, and I wish you well in your considerations.

The Chair: Mr Tilson, as you notice, we had Kleenex ordered for you at the desk here—

Mr Tilson: Thank you very much.

The Chair: —and for the other members of the committee who are carrying colds around the province, spreading the disease.

Mr Stephen Owens (Scarborough Centre): I thought it was because Mr Tilson was so happy.

1030

OTTAWA INSURANCE WOMEN'S ASSOCIATION

The Chair: The next group to present is the Ottawa Insurance Women's Association. Will you come forward, please? The people standing near the back door, there are chairs in here. For fire regulations, do not block the doorway.

I'd like to welcome you to the standing committee on finance and economic affairs. We have until 11 o'clock, and in that period of time after your presentation, leave some time. As you can see, the members of the committee are quite anxious to ask questions. Please begin, and identify yourself for the purposes of Hansard.

Ms Debbie Olsen: My name is Debbie Olsen and I'm the past president of the Ottawa Insurance Women's Association. I'm also the operations manager of the Personal Insurance Co of Canada. I'm just going to follow my brief here, and then certainly there'll be lots of time for questions.

I'm picturing everybody in their underwear. It's not working very well here.

One need not look beyond the daily newspapers to see the effects that an unprofitable bottom line will have on the number of jobs that are lost or saved in any industry or any company today. Although profitability of big business may not be a high item on the NDP agenda, certainly job retention has to be.

In a business such as insurance, where premiums collected today must be set aside to pay the claims of tomorrow, a policy that offers unlimited coverage under any section is of great concern to the industry and therefore to the employees of that industry. How will our industry be able to adequately set aside the money necessary to pay the claims when there's no way to quantify the worst-case scenario of any particular loss?

There must be some kind of limit placed on the payout of an individual loss for planning purposes. Without this limit, no insurance company will ever be able to accurately

determine its financial position. The resulting uncertainty will do nothing to improve market stability, and the inevitable cost-cutting programs that follow such uncertainty will cost jobs.

I'd like to add that here's an article from the Detroit Free Press dated January 29. They have a no-fault system in Michigan, and they are now looking at eliminating the unlimited part of that program in an effort to cut costs.

Because I represent a women's group, I'd like to make you aware of some real numbers for the city of Ottawa. Our organization has members in nine insurance companies in Ottawa. We conducted a mini-poll to determine the proportion of women employed by these companies. We found that out of 675 employees in Ottawa, in those nine companies 490 are women, a full 73%. You may not be able to gauge that from the group that is here today, but those numbers are real.

It's clear that women's jobs are in jeopardy as a result of the unprofitability inherent in a business where revenue is restricted by the possibility of capping premium increases and expenses are increasing dramatically without limit. Because we believe that the allowable increases will not be sufficient to meet the increased claim costs of Bill 164, the need for insurance companies to reduce expenses will be absolute and will cost jobs. For every four insurance company jobs at risk, three are held by women. Speaking for our members, I can say that the jobs we lose will be our own.

There is no doubt that premiums will increase following the enactment of Bill 164. Whether you prefer the conservative estimates of the Mercer report or the more drastic estimates under the Coopers and Lybrand and Wyatt reports, all of the actuaries agree that the cost of insurance premiums will increase. No one can afford this bill.

The concern we would like to express is that women in particular will bear the hardest burden for the increase in costs and, in return, for the most part will receive fewer benefits under Bill 164 than under the previous OMPP regime.

Under OMPP, with the \$600 weekly cap for loss of income, if you have an individual earning \$39,000, he will recover the full \$600 per week while he's unable to work. Under Bill 164, assuming a very modest tax bracket of 25%, the recovery will be slightly over \$500 per week. This is a full \$100 less under Bill 164 than under OMPP, and this is due to the change from 80% gross to 90% net income.

Mr Peter Kormos (Welland-Thorold): Lower benefits, not higher.

Ms Olsen: Definitely lower.

Mr Kormos: Why does the government insist that they're higher?

Ms Olsen: You've got me; not for women anyway.

Mr Kormos: New Democrats doing that. I don't believe it.

Ms Olsen: As you can see, the change in formula and the increase in the weekly cap to \$1,000 under Bill 164 will improve the compensation only for those people earning more than \$39,000 a year. I'm sure you'll agree I need not present actual statistics to state as a fact that the majority

of women do not earn over \$39,000 in a year. It's the lower-income drivers who will be subsidizing the benefits for the higher-income drivers, and the majority of women will be paying for a benefit that they can never collect. We request a system that will deliver the fairness that is one of its stated goals.

We also have a concern that the uniform classification system proposed in the policy document *The Road Ahead* will further burden women with substantial increases in premiums. The proposed system will eliminate age and gender as part of the rating criteria, citing fairness as its purpose. This system will overrule the statistically based reality that certain segments of the population are responsible for, and therefore should pay for, their proportional contribution to claims costs. We suggest that it's the very concept of fairness that would dictate that these elements not be removed from the rating system.

The Road Ahead does attempt to address this issue by including several road safety initiatives specifically aimed at these high-risk drivers, and the entire industry supports this effort. The Mercer report that produces the most conservative estimates of higher insurance premiums includes the basic assumption that a reduction in the number of accidents will occur as a result of the initiatives contained in *The Road Ahead*. Brian Charlton can be quoted from *The Road Ahead* as saying, "Road safety is a critical component of our plan." The government, however, has not been following through on its commitment. Unfortunately, Bill 39 has only received first reading and we appear to be no closer to the implementation of the graduated licensing system that the insurance industry has been lobbying towards for years.

We urge the government to ensure that if Bill 164 proceeds it is enacted together with the road safety initiatives that are such a critical part of the plan. Our concern is that the reasonable containment of costs, both in human suffering and dollars, cannot possibly be realized without the necessary focus on accident prevention. We believe everyone would agree that efforts towards preventing an accident should not follow the efforts for fair compensation; these efforts must go hand in hand.

Finally, there is no one in our industry who feels that OMPP is perfect, but it's certainly salvageable. However, with Bill 164 replacing OMPP, we have an extremely complex piece of legislation that will fuel increased costs and adversely affect affordability, unfairly burden women with the greatest increase in costs while reducing their loss-of-income benefits and run the risk of significant job losses.

Given the economic climate and the lack of public demand for this bill, we believe that Bill 164 is untimely, uncalled for and downright irresponsible.

It's not a nice message I'm delivering, but on behalf of the Ottawa Insurance Women's Association I thank you for allowing us to express our opinion.

Mr Kormos: On a point of order, Chair: I want to introduce Phil Edmonston, federal member of Parliament for the riding of Chambly, Quebec. Phil Edmonston fought for the no-fault system—

The Acting Chair (Ms Irene Mathyssen): Thank you, Mr Kormos, and certainly the committee is very pleased to see a man of Mr Edmonston's stature here among us today. We've got about 20 minutes left. The time will be evenly divided among the three caucuses, beginning with the Tory caucus.

Mr Tilson: The subject of road safety comes up all over Ontario, and of course our party has been pushing graduated licensing for some time, everything from presenting petitions in the House to statements to speeches, whatever we can do to get them moving. It's difficult to understand why they haven't done that. There are all kinds of rules that could be done, whether you're talking about Bill 64, Bill 68, tort, anything else. I mean, this is almost a separate issue. It's a very important issue that seems to be put aside for something that, as you say, really doesn't need to be done at this particular time. I'm talking about the expensive benefit package they're putting forward now.

1040

Having said that, I think that the message you put forward, which is another one, a common theme that's a concern throughout the province, is that of the uncertainty of costs, and it gets back to the innocent accident victim. That's what it all boils down to. That's supposedly who we're trying to save, whether you're talking rules of the road, or premiums, or safety, or keeping people alive, and somewhere those people have become forgotten.

My question to you is, and it's a question I've been asking many delegations: Who is going to be the advocate for the innocent accident victim? I'm thinking specifically of educating the innocent accident victim in dealing with these unbelievable, unexplainable benefit packages, these regulations. Who's going to explain these rules to them and deal with the insurance companies, or deal with the bureaucrats or the government or whoever else they're going to be dealing with? They're left all alone. Do you have any thoughts on that?

Ms Olsen: Certainly the brokers, the direct writers, where the insurance companies are direct writers to the people.

Mr Tilson: But they'll be against the innocent accident victim.

Ms Olsen: I'd be careful of saying "against the innocent accident victim," because they are our bread and butter. That's what we do for a living.

Mr Tilson: I know you do, but let's face it, you are going to be held tight for funds.

Ms Olsen: Absolutely.

Mr Tilson: The minister, or the former minister I guess he is now—I don't know where he's gone. He has said the rates are not going up, so things are going to be tight for you people.

Ms Olsen: Absolutely.

Mr Tilson: I'd say that the person who's going to suffer is the consumer, the innocent accident victim.

Ms Olsen: Certainly I think that lawyers will be consulted with a lot more frequency for people to learn what

their rights are under the new regulations. There is a problem in that when costs start to go up and you start seeing the market instability, who suffers is exactly who you're saying, the innocent accident victim.

But the insurance people are rule-followers, they're conservative. You give them a set of rules and they will do their best under whatever adverse conditions they have to live with that set of rules. That's what we've done for the past number of years, and so that's why we make this kind of presentation against a set of rules, because we'll follow it.

Mr Tilson: I'm sure you fear for the innocent accident victim, and you emphasized the women, particularly the women who have temporarily left the workforce. You might comment on what their rights are as far as economic loss is concerned.

Ms Olsen: Certainly housewives at home who have no children will receive exactly the same thing under OMPP as they will under Bill 164 for the increased costs that will be borne. A housewife at home who doesn't earn and hasn't been part of the labour force, she stays home and looks after her kids, will receive exactly \$15 a week more unless she has more than four children, okay? And I don't believe there are too many people out there with more than four children. Your average housewife at home out of the labour force with three kids will get \$15 a week more, and that's not anything that I would call a benefit. I'm sure the costs will be far higher than that.

Mr Tilson: The point I was getting at was the teacher or the professional woman who has left the workforce to raise a family, gets involved in a motor vehicle accident while she is raising a family, has plans to go back to the workforce—very qualified, very educated. What's going to become of her future potential income?

Ms Olsen: There are enhancements to those benefits under the system that will take into account what she was previously making, and the current system—I mean, there are improvements under that system. I don't disagree that OMPP could use improvements and I don't think anybody in the industry that you talk to will say the existing set of rules that we have are ones we would choose, but they're the rules we have and those are the rules we'll follow, same as under the new system.

Mr Tilson: Give Mr Kormos a minute.

Mr Kormos: Thank you for coming forward. It's remarkable that it's a New Democratic Party government that is launching this attack on working people, on women, on seniors, on children and most regrettably on innocent accident victims. New Democrats across this province promised, when they campaigned prior to the election in 1990 and in the Legislature when they debated the issues, to restore to innocent accident victims their right to full compensation. They take away in this legislation what few rights innocent victims had after the Liberals were finished with them. It's remarkable that it's a New Democratic Party government that would attack the most vulnerable people in our society.

I tell you, if there's cynicism among the electorate, this government has done a whole lot to fuel it by its betrayal of those people who counted on it to speak out. I'm talking

about the innocent victims, the people whose futures are stolen from them by drunk drivers. No-fault insurance is a victory of the guilty over the innocent. You're going to find drunk drivers being treated more respectably and with higher benefits than innocent victims. The dishonesty that's being used—

The Chair: Okay, I go on to Mr Johnson.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): Thank you for your presentation. I think it's interesting that the insurance companies in the last two years have made \$1.3 billion in profits. Now we have a system that we're changing somewhat and there's an inference made in your brief that the insurance companies are going to penalize women as a result of a reduction in those profits. I find that reprehensible and I can't believe they would do that.

Ms Olsen: The statistics you're using for two years are the nicest set of statistics that use the maximum profit.

Mr Johnson: That's right, and the most recent two years.

Ms Olsen: Right, but if you look back over time you'll discover that the return on equity for insurance companies to their shareholders has not been anywhere near that high. The windfall profits have resulted from, in many cases, reserves going back in that were open for large losses that have not come to fruition. Those reserves going back into the capital are part of what has fueled that profit position for the companies. What I'm saying is that when those profits are realized and put into things like the cost change-over to OMPP, computer systems that are outdated, all those things, I think if you look at the insurance companies, you'll discover that some of the future investment that they need that profit for is to update their systems to provide better service to the public.

I don't think you can look at past profits and therefore say that those past profits should be taken away on a future basis, shaved away. Everybody's looking at the bottom line today. If you look at companies like IBM that have historically made that kind of profit, would that argue that since they made it last year, they'll make it next year, they'll make it the year after?

Mr Johnson: Under the OMPP, we listened to a woman in Windsor yesterday, Mary Ellen Lockyer-Cheney. She told us about her particular horror story, how difficult it was for her to get the compensation, to get the rehabilitation that she needed and so desperately required. She had to go out and fight on her own behalf. She told us about a very arduous, lengthy story of all the difficulty she had, and I think that we're going to see improvements under this new system. She's not going to have to go through that set of problems.

Mr Tilson: You didn't listen to what she said; she said it would get worse.

The Chair: Order.

Mr Johnson: I also want to give you another example. I want to talk about my wife, who's self-employed. Her name, by the way, happens to be Debbie. If she should be in an automobile accident under OMPP—

Interjections.

The Chair: Order.

Mr Johnson: —she is not going to have an opportunity to replace herself. Because she's got to. If she doesn't replace herself—she's self-employed—she loses. She loses her contracts and she's out of business. This system, in my opinion, is going to make it better for her. She's going to have more opportunities under the new system than she does under the OMPP. There's a woman who's self-employed. Lots of women are self-employed. I give them a lot of credit. I give my wife credit and I think it's—

Ms Olsen: Does your wife not subscribe to a disability insurance plan?

Mr Johnson: In fact, she does.

Ms Olsen: So you're telling me that the benefits that you're saying she could recover under Bill 164—in fact she has another plan already to consider those benefits—

Mr Johnson: Don't you consider that prudent of her?

Ms Olsen: Absolutely I do. You're telling me that the legislation should provide—

Mr Johnson: Unfortunately, not everyone subscribes to that kind of additional insurance, do they?

Ms Olsen: I would argue that most people who have higher incomes are the people who do carry disability policies, who do carry that kind of supplementary benefit. To include that in legislation and the cost borne by the people who don't make that kind of money is not reasonable.

Mr Johnson: You also mentioned in your brief that you're concerned about some of the caps that are put on. For example, in long-term care there was a cap under OMPP for \$500,000. If you met that threshold, then you were finished.

Ms Olsen: Right.

Mr Johnson: They had a 10-year threshold. If you met that, you were finished. What happened to those people who required rehabilitation or assistance beyond those points in time?

1050

Ms Olsen: I don't disagree, if you want to talk about increasing the limit. I don't want to argue the adequacy or inadequacy of any particular limit. All I'm saying is there has to be a limit. For planning purposes, for reserve purposes, I don't disagree that \$500,000 for 10 years, if you look at the statistics, may not give you the kind of coverage you're talking about, but I'm saying to go from that to unlimited—I mean, unlimited; how can any business, what plan do you have that you know of that has unlimited recovery in it? You tell me one. I'd be very interested to know of one that exists, and you want to impose that on insurance companies.

The Chair: Mr Klopp, one minute.

Mr Paul Klopp (Huron): We have the same concern. You agree that the \$500,000, if you were 20 years old and in an unfortunate situation, is kind of unreasonable.

Ms Olsen: It's not going to be adequate.

Mr Klopp: No. That's why we said, okay, we're going to do these changes, in consultation with making

sure the premiums don't go sky-high. Are you aware of the committee the minister struck with the industry and with the people on all sides, the victims' representatives, because that is really what we're all about and I'm sure you're all about too. You've said that.

Ms Olsen: The committee for compensation on long-term care?

Mr Klopp: Are you aware that that's what we're looking at, to try to find that balance?

Ms Olsen: Yes. This is the committee with the April deadline, the one you're speaking of?

Mr Klopp: Yes.

Ms Olsen: I think it's wonderful, but at the same time, I still think that any committee that is investigating costs of rehab is great, and trying to contain costs is something that everybody in every level of business and government is looking at today, but to give that as an answer to proposing that there's an unlimited amount of coverage in a policy for a stated dollar is not what I consider to be the answer.

Mr Mancini: Ms Olsen, thank you for your brief. One of the reasons the NDP members are giving you such a time and trying to badger you and not allow you to answer all the questions is because they don't like what they're hearing from you.

Mr Johnson: Remo badgerer—best badgerer I've ever seen.

Mr Mancini: Your comments, Ms Olsen, are in fact reinforcing what we have heard over the last couple of weeks, and the NDP members are on the run. They're on the run for several reasons, and this is one of them. We have said over and over again that women, who generally earn less than men, will be hammered by Bill 164. We have another witness who's come forward to reinforce that proposal, and I'd like to ask Ms Olsen if she's aware of the study done by Coopers and Lybrand, which indicates that once the gender factor is eliminated in setting insurance rates, women will pay substantially higher and in fact women living in the Ottawa region will pay 50% more, according to Coopers and Lybrand, for their insurance rates. Are you aware of that study?

Ms Olsen: I am aware of that study. Regardless of whether you accept the quantum in that study, it is a fact in insurance rating classification systems that, based on statistics, women contribute less to accidents and they have less severe accidents and therefore the costs incurred are less. Therefore they pay a lesser premium overall, and that's a fact.

Mr Mancini: Is there anything in Bill 164 which would balance the increase in rates women have to pay?

Ms Olsen: Not in my opinion.

Mr Mancini: Thank you. Are you aware that the change indicated in Bill 164 as compared to the OMPP in regard to economic loss will in fact cost families across this province hundreds of thousands of dollars?

Yesterday in Windsor we heard from a special litigation lawyer who admitted that he voted for the NDP in the last election. He said he would never do it again, but he admitted that he voted for them because (a) they promised

government-owned automobile insurance—they broke that promise, (b) they promised lower insurance rates, and with Bill 164 they're breaking that promise, and a number of other things.

Are you aware that he told the committee that if you take, for example, a fatality where a male driver with an income of \$25,000 at age 30, in the unfortunate case of a fatality under the existing legislation, the Ontario motorist protection plan, that person's family could sue for loss of income and they would receive approximately \$435,000, and under the NDP legislation they would get \$93,000 and that this legislation would cost that family \$300,000? With your experience, do you consider these figures fairly close?

Ms Olsen: I wouldn't want to comment on those figures, but I would definitely say that not being able to sue for economic loss is going to result in a lesser amount of money to people who win those cases. The problem is that there are lawyers' fees to be considered in that, and no one who's ever paid a lawyer doubts what lawyers' fees are like.

Secondly, the economic loss that they incur: A lot of people would rather see it guaranteed in the legislation in a no-fault form than take the chances on the court system, with the time and effort involved, especially when the economic loss under the OMPP is timed such that you start to receive it immediately and the time factor comes into it. You can get your \$435,000 two years down the line.

Mr Dalton McGuinty (Ottawa South): Thank you, Ms Olsen, for your presentation. One of the problems in these committees is that sometimes we get caught up in discussions which take place on kind of an abstract basis, and I want to reduce it to the practical.

I know a woman who's a single parent. She has three children. She has difficulty obtaining her support payments. She has a perfect driving record. She drives an old clunker. It eats a lot of gas and, as you know, we have a problem with gas prices in this town. She makes expensive repairs to the car. She has them made because she can't afford to buy a new car. She earns \$24,000 a year. I want to know what Bill 164 is going to do for her, or "to her" may be more appropriate, with respect to premiums and with respect to her benefits, particularly regarding loss of income.

Ms Olsen: Certainly her costs are going to be increased; there's absolutely no question about that. Whenever you improve the benefits under any system that will result in higher payouts—and I'm not necessarily talking about what I said were the restrictions under the new system, but things like the unlimited cap on rehab and things like that which will result in higher payments—you will see an increase in costs, no question about it.

Mr McGuinty: What kind of a jump is that?

The Chair: I'm sorry, but there's no time left. Ms Olsen, I'd like to thank you for coming before this committee. Time has run out.

Ms Olsen: Thank you.

Mr Steven W. Mahoney (Mississauga West): Mr Chairman, on a point of order.

The Chair: Yes, Mr Olsen—Mahoney.

Mr Mahoney: Here, I'll turn this nameplate around for you. How's that?

The Chair: Okay.

Mr Mahoney: Being new to the committee today and filling in for Mr Phillips, I just find it somewhat unusual. I've never seen it in a government committee operation where a member of the government caucus must literally beg the opposition parties for time to ask questions. What that does, in my respectful submission, is take away from the opposition parties' time if we want to allow Mr Kormos an opportunity to speak.

Mr Klopp: We're all opposition—

The Chair: Okay—

Mr Mahoney: I wonder, sir, why the government won't allow its own caucus member—

Interjections.

Mr Mahoney: He wasn't kicked out of caucus, according to—

The Chair: Okay, I'm sorry. Look, I'll explain it to you.

Mr Mahoney: Why can't he sit over there?

The Chair: I'll explain it to you. Mr Kormos can sit at any seat on either side.

Mr Mahoney: I don't mind him sitting here.

The Chair: The opposition parties—and I've bent the rules—are not allowed to give the time to an individual but only to a caucus.

Mr Mancini: That's not true.

The Chair: So you can give it to the government caucus, you can give it to the Conservative caucus, but—

Mr Mancini: Check the position.

The Chair: No, but Mr Kormos—and I explained this yesterday and it's in Hansard—has not signified to the Chair that he had a question.

Mr Mancini: He's being muzzled. That's what's happening.

The Chair: He is not being muzzled. That's my ruling on that one.

Mr Mahoney: If I understand your ruling, you're saying that you have bent the rules. You're saying that the rules allow Liberals to give up time only to Liberals and Conservatives to give up time only to Conservatives.

The Chair: No, you didn't listen.

Mrs Irene Mathysen (Middlesex): Pay attention, Steve. Steve can't understand.

Mr Mahoney: I'm asking for clarification and I don't need your smart-ass remarks.

The Chair: You can give up your time to the Conservatives or you can give it up to the government—

Mr Owens: You just don't care about the—

The Chair: —but you can't give it up to an individual. I'm sorry, Mr Owens—

Mr Mahoney: Why would a member of the government caucus not be allowed to ask questions on behalf of the people he represents? It's outrageous.

The Chair: I already explained. I'm sorry, I'm not going to take the time to explain it again. Mr Owens.

Mr Charles Harnick (Willowdale): Point of order.

Mr Owens: Point of order.

The Chair: I've got a point of order right here.

Mr Owens: Mr Chair, we have a number of witnesses who are waiting to testify, and in terms of how our caucus or the Liberal caucus runs its affairs, it is not the business of the—

The Chair: That's not a point of order. Just a minute.

Mr Owens: I suggest that we get on to the witnesses who are here.

The Chair: Mr Harnick, quick.

Mr Harnick: Mr Chairman, my understanding, and what we've done in the last several days, is you have permitted us to give our time to Mr Kormos.

The Chair: Correct.

1100

Mr Harnick: Are you now saying you're no longer going to do that?

The Chair: No, I didn't say that. I was just explaining that I've bent the rules and—

Mr Kormos: You better not.

Mr Harnick: But if my caucus, for instance, has extra time, you are still going to allow us—

The Chair: Correct.

Mr Harnick: —because you're such a liberal-thinking gentleman to provide the time to Mr Kormos.

The Chair: A fair Chair, let's say.

Mr Harnick: Yes.

The Chair: Not a Liberal Chair.

Mr Harnick: You're a fair Chair.

The Chair: The next group to come forward is Rehabilitation Management Inc.

Mr Mahoney: Mr Chair, before the deputation I have another point of order.

The Chair: Okay. Your point of order. Would you come forward, please.

Mr Mahoney: My point of order is that I have received documentation by fax on the cabinet changes.

The Chair: It's not a point of order for this committee.

Mr Mahoney: No, my point of order is that we have a new minister—

The Chair: No, we don't have a new minister.

Mr Mahoney: Sorry. Financial Institutions has been transferred to Mr Laughren. Mr Charlton has been moved, but we have a new minister responsible for this bill and we haven't heard from that minister.

The Chair: Okay.

Mr Mahoney: It's entirely possible that minister has a different viewpoint.

Mr Kormos: Perhaps he's a New Democrat.

The Chair: Mr Owens, for clarification.

Mr Mahoney: I wonder if we should hear from the new minister before we go much further.

Mr Owens: In terms of the responsibility for the auto insurance review, it remains with Mr Charlton, although most of the functions with respect to Financial Institutions have in fact been transferred. Brian Charlton will still be responsible for the auto insurance review.

Mr Mancini: And for these increases in rates—is that what he's responsible for?

The Chair: We'll explain it at lunch to you. Okay?

REHABILITATION MANAGEMENT INC

The Chair: Rehabilitation Management Inc, I'd like to welcome you to this committee. You have one half-hour to make your presentation and the committee will be five minutes later going to lunch, so you haven't lost any time here. Okay? We have until 11:35 and you may begin.

Ms Donna Klaiman: I would like to thank you for allowing us to present today. I'd like to introduce myself. My name is Donna Klaiman and I'm with Rehabilitation Management Inc, which is a community-based rehabilitation management firm. I'm an occupational therapist by profession and have been in the field for many years. I would just like to note that Barbara Baptiste, the president of our company, was the author of this paper and I am presenting on behalf of the company.

Rehabilitation Management employs 45 people in the province of Ontario and we work with individuals who have sustained injuries resulting from automobile accidents. I'm here today as a representative of this company to voice our critical concerns and provide answers and recommendations for serious consideration by this committee.

Today we walk a path reminiscent of the basic issues that surrounded the Liberal government's proposed changes, which became law in June 1990. Again, we see two issues raise their heads: One is cost, including premium issues, loss of jobs in the insurance industry and loss of investment dollars by the insurance industry. The second is choice, specifically including options for rehabilitation treatment and service provision, and future living options for persons disabled and/or handicapped as a result of a motor vehicle accident.

I am a community rehabilitation specialist. That means I work with persons who have experienced a temporary or permanent disability or handicap as a result of a motor vehicle accident. I work with them towards resolving the day-to-day concerns related to functioning in their home and at work and with their families, friends and work peers. I work at accessing the necessary resources and providing counselling, education and direction based on their medical conditions. As you can see from my training and experience, while the issue of cost is better left to the economists and the consultants available to the insurance industry and government, the issue of choice is clearly one I am most qualified to comment on.

I'd like to address the issue of vocational rehabilitation. The proposed regulations are quite liberal and generous for financing rehabilitation. In addition, the NDP are the first

to specifically include vocational rehabilitation. We compliment the NDP on this more holistic approach.

We are quite concerned, however, that all issues related to income loss have been relegated solely to the regulations. To exemplify why we are concerned, I'd like you to consider this scenario. Consider a student or a recent graduate who is permanently disabled from competitive employment and can never recover the income he would have earned in his chosen profession. Basically they are relegated to a WCB-like pension system based on their status as a student or recent graduate and have no right to access their fair and due future income losses.

We could provide you with many such scenarios, from the independent businessperson to the upwardly mobile worker. The most catastrophic disabilities consistently occur in motor vehicle accidents, yet these persons will have no access to fairly recover their future income losses. Suddenly a person is left with limited financial resources and limited choices in life compared to what they once had before. These choices, for which all of us use our discretionary income, include travel, building the family resources, hobbies and simple daily activities. These are quality-of-life issues.

To have a pension system along the line of the WCB system is to invite all the travesties of that—

Mr Harnick: On a point of order, Mr Chair: This is a very important brief. It deals with rehabilitation, it deals with the significance of not being permitted to claim for economic loss, and more than half of the government members aren't in the room.

The Acting Chair (Mr Paul R. Johnson): That's not a point of order.

Mr Harnick: It's disrespectful to the person who's coming to make this presentation and it's in very—excuse me. Can you please turn my microphone on?

Clerk Pro Tem (Mr Franco Carrozza): The Chair has turned it off.

The Acting Chair: Please continue. It's not a point of order.

Mr Winninger: Mr Chair, I think it's entirely inappropriate for Mr Harnick to comment on who's in the room. We don't comment—

The Acting Chair: That's not a point of order either.

Mr Harnick: It's totally disrespectful to the person who's—

The Acting Chair: Could we have some order here, please. I'm sorry for this.

Interjections.

The Acting Chair: Order. Is it necessary that we recess for five minutes?

Mr Harnick: Do whatever you like.

The Acting Chair: I apologize for this unfortunate interruption. Would you please continue.

Ms Klaiman: What we're recommending is that the innocent person who's disabled in an automobile accident have access to the courts to establish loss of future income. This is the only system that ensures basic quality of life. While the NDP has made it clear that quality of life is an

issue, it now is important that it consider the application of that concept in the delivery of lost income. If this cannot be provided through Bill 164, we would rather have the threshold which, although severely stringent, allows the person with a serious and permanent injury the right to sue for income losses.

1110

A second issue concerns the severely disabled person—and we work with a lot of individuals who've suffered traumatic brain injury—who is not capable of vocational reintegration but who requires avocational rehabilitation. This does not fall under the attendant care section, and it better not because a \$3,000 cap for this care is insufficient for the majority of severely injured persons. The issue is, though, will this person be able to access the various rehabilitation services he requires if vocational re-entry is not an option?

We're looking at individuals who will not be able to sustain competitive employment following the injury. They would need cognitive-behavioural rehabilitation, occupational therapy, vocational therapy strategies, family counselling and individual counselling services. Accessing these various services and, more specifically, vocational rehabilitation for the purpose of avocational rehabilitation, which is again non-competitive employment—which is really directed towards being productive in a non-competitive situation—must be covered under rehabilitation benefits.

Therefore, rehabilitation benefits cannot both be available for reducing or eliminating the effects of a disability resulting from the injury and facilitating the insured person's reintegration into his or her family. The issue is labour market. It must be clear that rehabilitation benefits are not just available to facilitate reintegration into the labour market, but that is only one of the goals, and the avocational rehabilitation is essential to maintaining one's sense of productivity and quality of life.

I would refer you to the fact that part VII of the rehabilitation benefits is not clear, and I will make the recommendation at the end of the presentation.

We must underscore that this is not about being pro- or anti-lawyer, pro- or anti-insurance company, or pro- or anti-government. We work with the day-to-day needs of the disabled and the handicapped, and we know the frustrations and barriers they must put effort into overcoming and the financial and service provisions they need to achieve this. Allowing access to recovery of vocational losses, which can be much more easily quantified than pain and suffering, and allowing access to rehabilitation services when a person is not a vocational or labour market candidate, allows necessary recovery of some rights and life choices among many that have been lost. Again, quality of life and choices are the issues here.

I would like to address the issue of access to advocacy. I'd like you to consider the profile of this person whom we see among our referrals on a regular basis. The person has sustained a mild head injury. There are no severe physical restrictions or pain, but a loss of important information processing functions such as his memory, attention, planning and judgement, or perhaps the person has had a psychiatric disability like depression or stress disorder.

Research is ongoing in this field, and recent research out of the University of Virginia is showing that even mild acceleration-deceleration injuries, which are common in automobile accidents, lead to permanent damage including actual biochemical changes. Who is ensuring that this information is being passed on regarding vocational rehabilitation issues, how to access the rehabilitation process? Individuals are often confused and certainly vulnerable at this point. If they have no access to an advocate, who would research or contact the right groups that would have this information for the injured party?

They become victims of the lack of the professional knowledge, facts in this system and financial pressures. Often they quickly come off the insurer's case load but show up on government social services' case loads in one to five years. Also, when the organization with sole financial interest has the scope to penalize per part XV, numerous ethical issues related to conflict of interest come into play. Provision must be made to ensure that drivers are protected, and this does not happen in this bill.

I'd like to address the issue of attendant care. According to part IX of the attendant care benefits, the maximum amount payable for such services is \$3,000 per month. This does not cover full-time attendant care for seven days per week over eight hours per day, and I can certainly give you the costs of attendants at various levels of health care providers.

In addition, catastrophic cases, 70% of which make up our case load, often need nursing care because of medication dispensation or likewise, and the person does not have the mental and cognitive capacities to self-administer the medication or other medical service.

I'll give you an example of a situation we recently had where a hospital would only accept a young woman if 16-hour attendant care was provided. The hospital had neither the staff nor the financing to care for this dependent and behaviourally challenged young woman, who had sustained a very severe head injury. Monthly attendant care costs were in the range of \$15,000. The insurer only agreed to pay because it would be covered in settlement. This would not happen under Bill 164 because the person would not have the right to sue for such losses.

Therefore, we must ask this committee to please specify where this money will come from. It will not come from the Ministry of Health and not from Community and Social Services. This province cannot have its legislators put their heads in the sand and hope these cases will disappear into the air. They will not. They will increase because of our lifesaving techniques and strategies, and this issue must be addressed now.

The choice would be to substantially increase these monthly benefits, and the amount would be dependent upon whether or not there would be additional access to the right to access some of these losses through a tort claim. The latter appears to be the most reasonable way to manage this.

In summary, we understand that the insurance industry, government officials, lawyers and persons with disabilities and handicaps as a result of motor vehicle accidents, in addition to the rehabilitation providers, have numerous

concerns regarding Bill 164. Each of us will have different perspectives, but we have found that one thing is in common: This bill is not satisfactory.

Our concern regards the day-to-day realities that we face in working and problem-solving with individuals who are attempting to become part of their community following a serious motor vehicle accident. Sometimes, as I have outlined previously, this seriousness is not detected by even the family physicians because of very specialized areas like mild head injury. As legislators you must be very vigilant about these very real concerns. As persons with families and friends who could easily be in this situation, you must see beyond political agendas. As you consider the importance of choice in each person's life and the loss of these choices through the legislation, as we have outlined via the community rehabilitation process and the process of reintegrating into one's community, we hope you will understand its impact and implications.

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We now include specific recommendations which relate to the body of this report. I would like to review the recommendations with you.

In part XV, 53(1)(a) and (b), outlining the penalties for not becoming involved in the vocational rehabilitation, a section (c) should be added. What we're recommending is that we add this statement:

"The choice of a rehabilitation treatment company, just like the choice of a treating physician, must be made by the injured person, and the person must be informed of this basic right."

By including this provision, this would also relate to part XV, 53(3). It has been our substantial experience that when a person is given a right to choose, to have some control and empowerment in their life, compliance is very seldom an issue and would be of minimal concern.

Part VII, rehabilitation benefits: We're asking that we change the "and" in subsection 33(1) between (a) and (b) to the word "or." The reason for this, as outlined in the body of the report, is that in many catastrophic cases persons will not get back to the labour market or competitive employment, but must have available to them avocational rehabilitation so they can be productive and have some positive involvement in their community—get back into some kind of volunteer work, for example. This is vital for a person's self-concept as well as for the family and the community's resources.

Differences in future income loss that do not fit into this pension system and which were readily available to a person prior to their injury must be compensated. This right appears to be best addressed through the tort system and consequently the regaining of this differential income should be obtained through the tort action, as it is a figure that can be quantified.

Finally, part IX, attendant care benefits, subsection 34(6): The maximum amount payable under Bill 164 for attendant care benefits is \$3,000 per month. By experience we have found this to be clearly not enough for catastrophic injuries. This amount must be increased and we would recommend that this be included for recoverable losses under the tort section as it is currently being done.

We thank you for allowing us to present.

The Chair: Thank you. Maybe, after we get finished the questions here from the committee, you wouldn't mind talking to Rosemarie on some of these points and maybe some more clarification if it doesn't come out in the committee questions.

Mr Kormos: Who's Rosemarie?

The Chair: Our technical adviser here.

Ms Rosemarie Cochrane: Rosemarie Cochrane.

The Chair: Ms Cochrane. It's okay to go to the government. Three minutes. Mr Owens.

Mr Owens: In terms of your comment around the right to sue, are you aware that only 5% of innocent accident victims actually make it through the threshold, and that doesn't necessarily guarantee them a win in court?

Ms Klaiman: I'm not quite sure what your point is.

Mr Owens: One of your premises in your brief was that we should have a return to the tort system where the tort system under OMPP was a good thing with respect to innocent accident victims. My question to you is, are you aware of the statistics that indicate that only 5% of those innocent accident victims actually make it through the thresholds currently in place? Secondly, just because a person makes it through the threshold does not guarantee them a win in court.

Mr Harnick: On a point of order, Mr Chair: I'm a little upset about the fact that the parliamentary assistant asks these questions in total isolation, pretending that in conjunction with the tort—

Mr Owens: It's not a point of order, Chair.

Mr Harnick: May I please complete my point of order?

The Chair: Okay. Can you be quick about it?

Mr Harnick: I'll be as quick as I can, and I expect that I'll be able to put it on the record. You know, when you ask these questions about the tort system and pretend—

Mr Owens: It's not a point of order.

The Chair: I'm sorry; it's not a point of order, Mr Harnick.

Mr Harnick: Who's making the ruling here, Mr Owens or the Chairman? How do you know what I'm going to be saying unless you let me complete it?

Mr Tilson: There's an echo in here.

The Chair: It looks like a difference of opinion here.

Mr Harnick: No, it's not a difference of opinion, but the parliamentary assistant persists in misleading the witnesses when he asks the question.

Mr Owens: On a point of privilege, Chair: The member for Willowdale is insinuating that I'm lying. I'd like him to withdraw that comment.

The Chair: I didn't hear him say that; I'm sorry, Mr Owens.

Mr Harnick: If maybe you'll let me finish, he'll understand that I've not just said that he's lying.

Mr Owens: He just said that I'm misleading the witnesses. He should withdraw that comment.

Mr Harnick: If the parliamentary assistant and the Chairman would let me complete my point of order, they might see that I'm not insinuating that the parliamentary assistant is lying. But again, he that protesteth too much—maybe he is. May I complete—

The Chair: Mr Harnick, would you come to it quickly with your point of order.

Mr Harnick: I could have been finished five minutes ago if you didn't interrupt me. All I'm saying is this: If you're going to ask something about the tort system, don't pretend to the witness that the no-fault aspect doesn't continue to exist. What we're talking about is a blended system, and by trying to say to the witness that people can lose only a 5% claim is totally misleading.

The Chair: It's not a point of order. I rule you out.

Mr Harnick: Well, at least it's on the record now—

The Chair: I'm sorry; I rule you out, because there have been some items that have been said, that other witnesses have said, that haven't been completely correct, but I'm not going to correct everyone when they're wrong. That's not my job.

Mr Owens: On a point of privilege, Chair: In terms of precision, I'd ask the member for Willowdale to withdraw the accusation of lying.

The Chair: He did not say that you were lying. I'm sorry; I have ruled on that one. Mr Owens, you have one minute left.

Mr Owens: No. Excuse me, Chair, my time has been used by the member for Willowdale and I want my time back.

The Chair: You had two minutes; you've got one minute.

Mr Owens: I respect your submissions around advocacy and I appreciate those suggestions you've made. In terms of the regulations, a couple of things are happening. Part VIII of the regulations specifies that an accident victim is entitled to case management as part of the entitlement. Secondly, there is currently being put into place the Advocacy Commission and the Substitute Decisions Act, which will assist the innocent accident victim and others in the province of Ontario in terms of their care needs.

Interjections.

Mr Owens: Excuse me, Chair, I'm being interrupted here. I'm losing more time.

The Chair: You're losing your time there too. Go ahead.

Mr Owens: Thank you, Chair. In terms of the issues with respect to rehabilitation, you're aware of the task force that's been announced by the government to set standards of care, to look at the attendant care cap—

The Chair: What's the question? Your time's running out. I've been patient.

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Mr Owens: My question to you then is, in terms of setting standards of care, do you think this task force is a good idea, and the participation of groups like the Advocacy

Resource Centre for the Handicapped is a good thing for the innocent accident victims?

Ms Klaiman: I think a task force would be a positive effort, provided that there are rehabilitation professionals involved in this as well.

Mr Owens: Can I respond to that?

The Chair: Mr Mancini.

Mr Mancini: Thank you. I appreciate the rather extensive and well-written brief that the presenter has given to the committee this morning. It's Ms Kaliman?

Ms Klaiman: Klaiman.

Mr Mancini: Klaiman. Sorry. I see that you have echoed a couple of the concerns that I have raised over the last number of weeks in your brief, and I want to ensure that I understand the concerns correctly.

In rereading your brief, I understand you to say that you do not believe losing the right to sue for loss of income is a fair exchange for being able to sue for pain and suffering, along with the \$15,000 deductible that the government has imposed. Is that correct?

Ms Klaiman: That's correct.

Mr Mancini: Do you believe that innocent accident victims will suffer even more by having the right to sue for economic loss taken away from them?

Ms Klaiman: Yes.

Mr Mancini: Would you agree with me, as a number of witnesses already have, that the 68 pages of regulations are incomprehensible and are in fact a consumer's nightmare?

Ms Klaiman: They are challenging, certainly.

Mr Mancini: Would you agree with me that the advocacy provisions that you have espoused and the rehabilitation needs that you have espoused in your brief are not being met by the government, even though people who have to buy insurance by law will have to pay more for their insurance under this bill than under OMPP?

Ms Klaiman: We're concerned about the advocacy issues, yes.

Mr Mancini: Early on in your brief you mentioned your concern about cost. We have received numerous presentations before this committee about cost. Even the government members have admitted that automobile insurance rates are going up. They say 4.5%, but that's only because their New York consultant has factored in a 5% decrease because of the road safety program that is non-existent. If you add that in to the government's own piece of work, we get almost a 10% increase in automobile insurance. Would you agree with me that's a pretty hefty increase in these serious recessionary times?

Ms Klaiman: As I said before, I'm not an expert on the costs, okay? So I really won't comment on that.

The Chair: Okay. Mr Tilson—Mr Harnick.

Mr Harnick: Ms Klaiman, are you aware that under this particular piece of legislation, a student who is injured and will never work again will earn \$391 a week for the rest of his life, which effectively puts him under the poverty line? Are you aware of that?

Ms Klaiman: That's one of our major concerns.

Mr Harnick: And the reason that is so is because innocent victims of an accident, such as a child or a student, are not permitted under this legislation to sue for their actual losses beyond what the accident benefits schedule allows them to receive. Are you aware of that?

Ms Klaiman: Yes.

Mr Harnick: When you are trying to rehabilitate someone who is receiving, at best, poverty line compensation, how does that affect your job in being able to successfully rehabilitate that person and put them back as close as possible to the position that they would have been in before the accident ever happened?

Ms Klaiman: There are a couple of issues here. One is, is this person permanently disabled, and will he or she be able to sustain competitive employment? That's one of the questions. If they are not competitively employable, do we have access—and this is one of the issues here—to rehabilitation funding for what's called avocational rehabilitation? This is what we're arguing, that there is no provision for that.

Mr Harnick: What does the receipt of poverty-line compensation do to a person who has been severely injured in an accident in terms of his quality of life?

Ms Klaiman: Obviously, their quality of life is significantly impaired, and the fact that they don't have access to avocational rehabilitation means that any potential for them to be productive in any way would not be available for them.

Mr Harnick: At least under the—

The Chair: Mr Harnick, I'm sorry, the time has run out. We have given extra time. I'd like to say to the members of the committee here that it is the presenters' time, not the committee's members' time at these hearings. I'm going to extend time when committee members take up time of presenters, and maybe there won't be any lunch today.

Mr Mahoney: On a point of order, Mr Chairman.

The Chair: You have a point of order.

Mr Mahoney: Before the witness leaves, I think this is an extremely important brief, and since the government members won't allow it, I would like to move unanimous consent to allow Mr Kormos to have two minutes to question this witness.

The Chair: I'm going to overrule. I'm sorry.

Mr Mahoney: I'm moving unanimous consent. Let it show that the government members said no.

The Chair: You want to put it on the record every time someone comes forward.

Mr Kormos: If you like workers' comp, you'll love this bill.

The Chair: Thanks for coming.

FACILITY ASSOCIATION

The Chair: Our next presenter is the Facility Association. If you'd like to come forward, and if you have any colleagues with you who would like to sit up here and maybe assist you, I'd like to welcome you gentlemen to this committee. We have until 12:10, so you have a full

half-hour. You may begin by introducing yourselves for the purposes of Hansard and the members of this committee and possibly by telling us your positions.

Mr Cliff Fraser: It's good to be with the committee again. My name is Cliff Fraser. I'm here today as chairman of the board of directors of the Facility Association of Canada. Also with me is our counsel, Robin Cumine, and our general manager, Bord Vuuty. I appreciate the opportunity to appear before the committee. We have a few comments directed specifically at the Facility Association and how Bill 164 would affect that organization.

First, I'd like to take a moment and speak to the Facility Association's role in Ontario society and, of course, in the insurance industry. The Facility Association was originally brought into existence by companies engaged in automobile insurance in various jurisdictions in Canada as a voluntary mechanism for ensuring that a market would be available for any risk that, but for that mechanism, would be unable to obtain automobile insurance. It also provided a mechanism for sharing the cost and losses associated with such risks.

Facility grew out of its predecessor plans, the assigned risk plan, the exchange and the basic Facility, and was an attempt to meet the concerns and perceived problems and inequities of these previous plans.

We filed our Facility brief with the clerk. You should have that before you, and it should be available for your perusal.

The Acting Chair (Mr David Winninger): That brief has been distributed.

Mr Fraser: Good, thank you. The plan establishes the organizational structures of the Facility Association and its method of operation, governing and operating bodies, what business may be placed in the Facility and the basis upon which costs and losses are to be shared by members. It is important to understand that the Facility currently operates in eight jurisdictions, including Ontario, and that the plan governs the operation of all eight jurisdictions across Canada. Its directors and officers are unpaid volunteers or elected by the members and are senior officers of member companies or represent the Insurance Brokers Association of Canada.

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Although Facility was already in operation in Ontario when the Compulsory Automobile Insurance Act was enacted, it called for the continued operation of the Facility in Ontario, recognized it as a legal entity, required it to establish a plan to ensure the availability of automobile insurance, required it to obtain approval of the superintendent of insurance for all rates used and required it to obtain approval from the superintendent for all amendments to the plan.

As you can see, we are already closely regulated by the superintendent's office, which is part of the Ontario Insurance Commission. The Facility has operated to provide a residual market in Ontario for some years by having one of a number of designated servicing carriers, which are insurance companies, provide coverage to any person who has not obtained coverage in the normal, voluntary market.

Facility coverage has been at Facility rates, approved by the regulatory authorities.

As of January 1, 1993, Facility has begun the operation of a pool in Ontario to ensure that only those risks with records that warrant payment of Facility rates are actually charged those rates. The balance of such risks written by Facility in the past are to be insured by regular market carriers at their standard rates and may be either retained in the carrier for its own account or transferred into the pool for sharing, pursuant to its terms. You'll hear more on the pool in a moment from one of my colleagues.

I'd like to say that the Facility will be depopulated through this pool mechanism to approximately 2% of the market, down substantially from its highest point of 5.7%, reached in 1990.

Just an editorial comment here: When the Honourable Brian Charlton made his presentation last Tuesday in Toronto, I believe in his presentation he made reference that the Facility had reached a point of 8% of the marketplace. Unfortunately, the minister used the premium volumes to measure the size of the Facility. That is an incorrect measurement. The measurement should properly be the number of risks or the number of vehicles in the Facility. Obviously the Facility premium, on average, is higher than the normal marketplace, so it would have an imbalance. I think that gave a wrong impression.

Mr Mahoney: He's not the minister any more, though.

The Acting Chair: But I think you should know that Mr Charlton is still responsible for this bill.

Mr Mancini: It's even more important for him to get his facts right.

Mr Fraser: I appreciate the help.

The Acting Chair: I'm sorry. Please carry on with your presentation. We get these interruptions from time to time. You have the floor, sir.

Mr Fraser: Thank you. Bill 164 gives the Facility great concern, and in particular we're concerned about the following issues: (1) the withdrawal features of the bill, as it pertains to servicing carriers—insurance companies—on whom we depend to service the consumers, brokers and agents; (2) the onerous liability placed upon directors and officers of the Facility Association—and I have a personal feeling for that particular issue; (3) the restrictions the bill would place upon Facility to make even the small, necessary, everyday changes needed to keep our system running smoothly; and finally, the ability given to unilaterally change any part of the Facility plan of operation by regulation.

With me, as I mentioned, is Robin Cumine, our counsel to the Facility Association, and Bord Vuuty, our general manager. I'll now ask our general manager to make some more specific comments.

Mr Bord Vuuty: As mentioned by Mr Fraser, my job is to run the Facility Association. We operate in the Atlantic provinces, in the Yukon, the Northwest Territories, Alberta and of course Ontario. The new pool, which operates only in Ontario, by the way, is a part of FA and therefore one of my responsibilities. I'd like to take a minute and talk to this pool.

In 1990, 5.7% of private passenger risks in Ontario were written through FA, up from 4.3% in 1989. It was apparent to the industry, and certainly to the Ministry of Financial Institutions, that depopulation was a must. The industry took immediate voluntary action to reduce the risks written through FA and the percentage was reduced to 4.7% in 1991. Our estimate for 1992 is about 4%.

Nevertheless, it was felt that a number of risks found their way into the Facility Association that shouldn't be there. For this reason, the industry took further steps to depopulate FA. In the early months of 1992, the industry laboured hard and strong, in close cooperation, I might add, with the Ontario Insurance Commission, to develop the pool. We are happy to say that we were able to move quickly. We got it in place and going at the first of this year. This meant we really had to have it up and going by November 1 because we had to handle January renewals.

A few points about the pool: It applies only to personal-use private passenger risk. More than 90% of the FA was in this category; that's most of it. Characteristics of a risk that is eligible to be placed through a servicing carrier—those are the people who write the business for the FA—in what we call a residual market segment are specifically set out and, as of January 1, 1993, servicing carriers can no longer write risk unless they qualify.

Just as a matter of figures for January and February, this meant that they had to non-renew 56% of the risks they had coming up for renewal. Risks that do not meet residual market criteria must be provided insurance by the regular market at regular market rates. Because the plan of operation of the Facility Association is regulated by the Compulsory Automobile Insurance Act, this requirement of insurance companies has the force of law behind it.

Members must write any risks submitted to them, as I've just mentioned, but they can transfer these risks to this pool, in part for sharing by pool members, subject of course to the limitations and qualifications set out in the plan.

The pool is expected to meet its objective, which is to reduce the amount of business written through servicing carriers as residual market risks to approximately 2% of all private passenger risks. There will undoubtedly be a large number of changes required as we go into this pool, getting it settled down and into place. This manual right here is the pool manual, for example. We're going to have to make changes in that all year long, and this leads us to one of the concerns we have about Bill 164.

As we understand the present Compulsory Automobile Insurance Act, the changes to the plan of operation—that's the articles of association—and the operating principles—that's this book here—must be approved by the Ontario Insurance Commission. We cannot make changes in that book without the approval of OIC. Also, anything that has anything to do with rates must be approved by OIC, and that's our rate manual with all the rules. But everything else we do—we have manuals coming out our ears—are rules which we must follow to get the day-to-day work done.

At the present time we do not need the authority of OIC to make a change in that. We just made a number of changes in this, some as simple as typographical changes. One says to use the word "quit" instead of "exit" for a

computer program. Under Bill 164, we would have to have the approval of the Ontario Insurance Commission before we could make a change like that.

At times it even burns me that I have to get the approval of the board of directors to make these changes. That slows up things enough, but we do go through that process and changes are approved by the board. But we must be allowed to move quickly when we need to make changes to get the day-to-day job done. In our opinion, the commission has all the power it needs to control what we do at FA by controlling that right there.

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We're also very concerned about the withdrawal features in this bill as far as servicing carriers are concerned. We really think it will discourage companies from being servicing carriers in the future, and we may very well need new servicing carriers in the future. There may be times also when changes in market conditions make it desirable for a servicing carrier to reduce its ability to act as a servicing carrier, and there seems little purpose in the bill to restrict this.

The current plan and contract provisions obligate servicing carriers to provide services to deal with FA business as required, and a part of my job is to ensure that they do theirs. We're pretty tough on servicing carriers. Ask Cliff here. We just did an audit on him.

Mr Fraser: I'm still chairman.

Mr Vuuty: We monitor, counsel and audit them on a regular basis. They must provide quality service to consumers and brokers' agents, and copies, by the way, of the contracts that we have with our servicing carriers—you do have a copy of that; it's in one of these manuals here, one of these books. Also there's a copy here of the contract that exists between the servicing carrier and the broker. We have all the necessary controls in place to ensure servicing carriers comply, and further controls are unnecessary. It would only serve to make it more difficult for us to get servicing carriers in the future.

We're also concerned with that section of the bill that proposes that officers and directors of FA be subject to the same duties and responsibilities and subject to the same exposure to a substantial penalty as are officers and directors of insurers. As you know, FA is not an insurer.

It should be noted that under the FA plan, officers and directors are elected by members, must be senior officers of insurers or representatives of the Insurance Brokers Association of Canada. They serve on a voluntary basis without compensation. It should also be noted that the officers and directors of FA are not engaged as such on a full-time basis and in most cases do not have much involvement with the day-to-day operation of FA. It should be further noted that FA is required by the Compulsory Automobile Insurance Act to be a non-profit organization.

The extremely wide range of offences and the substantial nature of the fines that are outlined in this bill make us wonder if we'll be able to attract directors in the future. We'll be recommending changes to the bill that will be consistent with the earlier approach taken by the

government in other legislation affecting the liability of corporate directors of non-profit organizations.

Mr Chairman, I'd like to turn over the mike to our legal counsel, Robin Cumine, of MacLean and Kerr, to speak on specific changes we are proposing to Bill 164.

Mr Robin Cumine: I'm here today as the legal nit-picker with respect to the language, because we perceive that there are two or three very large nits which should be picked out of this legislation for everybody's benefit if we're to achieve the objectives that we're all seeking to achieve through the Facility Association.

The greatest concern, as Bord Vuuty has told you, is with respect to subsection 49(7), which on its face says that no change to anything can come into effect without prior approval. That would include things such as the specification for the type of magnetic tape used. The effect that's going to have is to slow down our ability to confirm coverage, to respond to claims, to meet problems resulting from broker changes and to adapt to changing circumstances. Those are not desirable results.

We currently file all changes of every sort so there's nothing being hidden, but to say nothing can come into effect without prior approval is going to cause great difficulties. We have filed copies of the various manuals. We haven't burdened you with them here today, because 40 copies would have taken quite a bit of managing.

At the third last page of our brief, which is section 10, we have summary and suggestions and in particular, in 10.3, specified four suggested specific wording changes we would like to see made. We think they're all valuable changes from everybody's point of view, and when you get to clause-by-clause consideration, please don't forget that's what we'd like you to specifically look at.

The next area of concern—incidentally, item (c) in 10.3 is the one that deals with the first one. We have concerns that under section 14, the power is being given to change anything from the smallest bit in a manual up through the formula for sharing losses, for voting of members—anything by regulation, unilaterally.

Aside from causing uncertainties and difficulties and putting us in a position where there could be fundamental changes that prevent us from carrying out our objectives, we suggest you should keep in mind the fact that this plan applies in eight jurisdictions, not just Ontario. If somebody starts unilaterally changing by regulation some of the fundamental contractual obligations, we may all have difficulties, both legal and jurisdictional. We don't know why anybody on the government side would want to get into the ability to change sharing of losses in the pool and in the Facility Association, or defining who's got what rights to vote for what companies.

If there are some areas, I suppose we could speak to somebody about them, but we don't understand—the bill does give much wider powers to the commission to come in, complete powers of investigation and access, complete powers to demand production of things, to have reports, to refuse to give us authority to make fundamental changes in the plan and to be informed of all other changes. We don't know what else you logically should have. Probably the most nitpicky on a wording basis is the one Mr Vuuty

referred to as the provisions with respect to withdrawal from the market.

The present wording would bring in, as an act for a servicing carrier constituting possible withdrawal from the market, reducing his ability to act as a servicing carrier or any action resulting in the termination of a contract with the Facility Association. Both of those things are, in some cases, highly desirable from our point of view.

The servicing carrier's got to be able to adjust to the demand for its services or you're going to add to cost. The servicing carrier is mandated by contract at times with us to cancel contracts: if a broker defaults in payment, for example. So the wording there now just doesn't fit. We don't understand the concerns that gave rise to it, but those provisions really aren't going to help anybody. We suggest they should be deleted. Again, if there's some legitimate concern to be met somewhere, we'd be happy to try and meet it.

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There has been reference made to the other issue, which is the liability of officers and directors. If the intent of this act is to discourage members of the industry from helping to provide this non-profit service to provide insurance to the public, then, boy, this is going to do it. This provision says that the senior executives who volunteer for these positions are exposed to personal fines of not less than \$5,000 for the first offence, and not more than \$100,000 and up to \$200,000 for each subsequent offence. Now, what's an offence? If they fail to take "reasonable care" to prevent the Facility Association from contravening any provision of the act or any regulation? That's a pretty high onus to put on volunteer directors, to make sure that nobody in the FA organization contravenes any provision of any regulation.

There are substantial obligations imposed by law, the existing law, on directors of organizations such as this. We suggest that it is inappropriate and detrimental to the continued good operation to try to impose this type of duty. It's taken from the same duty that has been put on people who are paid operating directors of operating companies and public companies. We don't think it's appropriate; we think this government has recognized the distinction in other legislation and we think it should be recognized here.

So those are the areas. The specific ways in which we suggest that the legislation be changed are in 10.3. If there are other areas of concern, we'd be happy to try and work with anybody to meet those areas of concern, particularly where we simply don't understand what the purpose is.

Mr Fraser: That concludes our formal presentation today. We'd be glad to try to answer questions, Mr Chairman.

Mr Mancini: How much time do we have?

The Chair: We've got three minutes.

Mr Mancini: I have one brief question, and then I'd like to turn it over to Mr Mahoney. Are you aware, Mr Fraser, that the Ontario Insurance Commission has asked for 100 more civil servants and six million more dollars to be able to carry out its duties and functions, and do you think many of those new civil servants will be reviewing changes in these massive regulations such as commas and

periods and question marks, and putting in the word "exit" for "close" and "stop" and all of that stuff? Do you think we need more civil servants to do that kind of work, sir?

Mr Fraser: I heard that information last week at the hearings in Toronto. I can't comment on why they need that number of people, but the thrust of our brief is that the Facility works very well and I don't think we need more regulation on its daily activities.

Mr Kormos: That's part of the Jobs Ontario fund.

Mr Mahoney: Mr Kormos says that's part of the Jobs Ontario fund. I'm not sure if it's true.

What would the average premium be? The Facility is really a last resort for a consumer, as I understand it. What would the average premium be? Do you know that?

Mr Fraser: Not offhand. Our general manager may. But let me put it into focus. We have street premiums, and about half of the Facility today will come out and go into the pool at street premiums. So we've cut the problem in half. The remaining half in the Facility are demonstrably poor risks, meaning they have a series of accidents or a series of convictions.

Mr Mahoney: If I could just interrupt you, because I don't have much time, what I want to get to is that this is a very detailed brief outlining your concerns about the technical aspects of how FA will work under this new legislation. Have you examined how it will affect the customer base, the consumer who is forced to go to the FA for insurance because he or she can't get it in the voluntary market, and have you done a cost analysis as to how much your premiums may go up, how much your claims may go up—how the whole issue of cost will affect the consumer from the FA perspective?

Mr Fraser: No, we have not done a Facility actuarial study. The basic Facility rates are based on the industry rates, and we are working under the assumption from the four actuarial studies that have been done, so if the basic street prices go up, Facility will go up considerably.

Mr Mahoney: I've got about 30 seconds. I'll give it to Mr Kormos.

Mr Kormos: Mr Fraser, you're a veteran of these wars and you are still in the trenches.

Mr Fraser: We meet again.

Mr Kormos: You are still in the trenches. As it is, you and I go back quite a way now. I find it just remarkable, and you'll recall how New Democrats fought so vigorously against the threshold, insisting that they were going to restore the right of innocent accident victims to be fully compensated, and now this appears to be a complete reversal of their position, because they've indeed shut the door in terms of economic loss. Can you account for the betrayal of innocent accident victims by the New Democrats?

Mr Mahoney: Good question. I wish I had asked that.

Mr Fraser: It sounds like a setup, Peter.

Mr Kormos: Far be it from me, sir.

Mr Fraser: Not that I'm mistrustful of you. I think the question is more directed at the product and I expressed myself as an officer of State Farm Insurance last week on

that subject. We're here for the Facility Association, but a quick answer, Peter, is that we prefer the current program to Bill 164, primarily based on costs.

Mr Kormos: Who does support Bill 164? There's been nobody supporting it. It's remarkable.

Mr Fraser: Correct.

Mr Tilson: The three or four very large points you've made are certainly new points that have come to this committee dealing specifically with the Facility Association. The brave new world of the NDP gets scarier and scarier, particularly when you listen to these various points you have raised. If the amendments you have recommended, specifically the one dealing with directors—I think it was set forth under number 8.0, I believe—or something similar to them are not made, what will happen to the Facility Association?

Mr Fraser: I think, Mr Tilson, that there are two prime points we're concerned about. The first is the servicing carriers. There are 150 auto insurance companies in the province. There are about 10 companies that insure all the Facility risks. State Farm is one of those companies. This legislation would prohibit State Farm from resigning at any point as a servicing carrier without government permission. If I were not a servicing carrier and this bill were in place, I don't think I would offer my services to be a servicing carrier. We could see a drying up of the ability to insure people who can't purchase insurance in the normal marketplace.

On your second point, about the responsibility of officers, I am chairman of the Facility Association. I do that without compensation. Frankly, the severe aspects of this legislation would cause me personally to ask myself, why am I doing this? If officers did not come forward, it would be a real problem, because there would be many people out there who could not purchase insurance.

Mr Klopp: Thank you for your brief today from the Facility. We have worked with the industry, as you pointed out, in reducing the number of people in Facility from 4% down to 2%. I have a personal case when a chap was in my office about four months ago and complained about his insurance. He was in Facility. When he talked about his four fender-benders, it was a little odd. I've heard a lot of automobile accident stories from friends, and just from my background a little bit, so when I heard what he had done, I thought it was a bit odd that he was in Facility, going from \$2,500 or \$2,700. It was just bizarre what he was paying. I do believe that he is now out of Facility, because I think the industry recognized—and we helped do that with you—that we need to have people who really should be in the other insurance. I think he's still happier now for the insurance industry, because he sure wasn't happy that day. So I think there are some good points to this. He might even be at State Farm, for all I know.

With regard to this, we're hearing about the tort and "Let's get back to tort." Since Facility is the high-risk people and undoubtedly, unfortunately, they are probably followed around by court cases—I'm sure that's why the premiums are there—what would you think the rates would be if we would go back to a full tort system?

Mr Harnick: Nobody's saying to go back to a full tort system.

Interjections.

Mr Winninger: On a point of order, Mr Chair: Once again Mr Harnick is interrupting Mr Klopp and others on the opposition side are telling him—

Interjection.

Mr Winninger: Can I complete my point of order?

The Chair: Yes, you can.

Mr Winninger: Others on the other side of the committee room are telling him how to put his question. I submit, Mr Chair, that it's entirely improper for members on the committee to be interrupting these procedures to tell you how members should put their questions.

The Chair: Mr Klopp, carry on. You have a valid point of order there.

Mr Klopp: I've asked the question.

Mr Fraser: The only comment I could make is that the normal business in the industry has an average premium of about \$800 to \$900 a year. Facility would be about \$1,500 to \$1,800 a year. If the base cost of insurance goes up 20%, as has been suggested, by Bill 164—

Mr Klopp: No, no, no.

Mr Harnick: Yes, yes, yes.

Mr Klopp: I asked about, if we went back to tort the way it was before, what would that do to the socialist—

Mr Fraser: Oh, traditional tort for economic loss and pain and suffering?

Mr Klopp: All those things that some people said we should have done.

Mr Mancini: What you promised in the last election.

Mr Harnick: What kind of accident benefits go with that?

The Chair: Order.

Mr Harnick: How's he going to answer the question?

The Chair: The time has run out. Mr Fraser, I hope you don't have the problems I have as a Chair.

Mr Fraser: It sounds like I'm saved by the bell.

The Chair: I'd like to thank you for appearing before this committee, and before this committee leaves, Mr Kormos has a point of order.

Mr Kormos: Yes, and I tell you, sir, a bona fide one, which is why I waited until this presentation was completed.

This committee process is not unique to the auto insurance issue, of course a time-honoured and historical process whereby legislators and the Legislature have an opportunity to consult. It seems to me that on an issue as important as this one, the fullest consultation possible should be made, and it would seem to me that in a democratic society and with a democratic Parliament there would be every effort to accommodate all of those people.

Why, therefore, Chair, was the Carleton County Law Association, perhaps the second biggest in all of Ontario, the Medical-Legal Society of Ottawa-Carleton, a significant player in this issue, and Lawrence Greenspon, a plaintiffs lawyer here in the Ottawa area with a great deal of expertise, why were all three of those bodies denied permission to participate in these hearings and present their views? It seems to me most undemocratic and contrary to what this government says it stands for in terms of inclusiveness. This seems to be the height of exclusion. Could it be because they merely don't agree with this bad legislation? But I would ask that the Chair accommodate these people, who do want to make submissions. That is the point of order.

The Chair: Mr Kormos, anyone in the province of Ontario can make a submission to this committee, a written one.

Mr Kormos: These people were denied the opportunity—

The Chair: The oral ones were picked by the subcommittee from the three parties.

Interjection.

The Chair: Please, Mr Owens. This process was agreed upon by the three House leaders on the amount of time of the hearings and we've accommodated as many presenters as possible. So your point of order is standing, yet it has—

Interjection.

The Chair: Mr Owens.

Mr Kormos: Don't you think it's unfair?

The Chair: I think it's quite fair the way it was done in a democratic process.

Mr Kormos: Don't you think it's unfair to exclude important people from the process?

The Chair: I'm sorry, all their briefs will be handed in to the clerk and will all be gone over. It is no different making an oral one or a written one. It is as valuable.

Mr Kormos: Can you guarantee all the committee members will read those briefs?

The Chair: I will make sure that everyone has one.

Mr Kormos: Can you guarantee that they'll be read?

The Chair: I can't guarantee anything there, and I haven't got it in writing.

Mr Kormos: Thank you, Chair. I appreciate your interest in the matter.

The Chair: Before we adjourn here, I just saw in the Globe and Mail a headline, and I think this is pointed towards Mr Kormos. It says, "According to the Tabloids: Devoted Dog Waits at Rail Station Six Years for Master to Return." Is your beagle at the rail station?

Mr Kormos: My beagle's driving the 'vette.

The Chair: Okay, this committee is recessed until 2 o'clock.

The committee recessed at 1215.

AFTERNOON SITTING

The committee resumed at 1359.

The Chair: Good afternoon. This is the standing committee on finance and economic affairs on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters.

Before we start, Mr Kormos has a point of order.

Mr Kormos: Yes, sir. I want to introduce the committee to Lawrence Greenspon, counsel and plaintiffs' lawyer and advocate for injured people here in the city of Ottawa, who has come here along with Bill Simpson, another noted advocate for victims, prepared to fill in any slots that are created by presentations and presenters that fail to show, to accommodate the committee. These were people who were denied the right to address this committee earlier. Thank you, sir.

The Chair: I would say, Mr Kormos, that we would do the best we can as a subcommittee and meet on it.

ECONOMICAL MUTUAL INSURANCE CO

The Chair: We'll carry on and we have the Economical Mutual Insurance Co. Welcome this afternoon to this committee. We have a half an hour; we have until 2:30. If you can leave some time at the end of your brief for questions from the committee members, you may begin, but please identify yourselves for the purposes of Hansard and the committee, and your position.

Mr Sam Hill: Thank you, Mr Chairman. My name is Sam Hill. I'm president and chief executive officer of Economical Mutual Insurance Co. With me are Veljo Taht, who is our vice-president, actuarial services, and Glen Walker, who's vice-president of claims.

We would like to thank the committee for giving us the opportunity to appear before you today to raise our concerns with some of the aspects of Bill 164.

Economical Mutual Insurance Co was founded in Berlin, Ontario, now Kitchener, in 1871 as a Canadian mutual company. We continue to operate today as a policy-owned Canadian mutual company.

Over the years we have enjoyed considerable success and have expanded, both by way of company acquisitions and internal growth, to become the fifth-largest property and casualty company in Canada, based on 1991 net premiums written. We operate in eight provinces in Canada and have a staff of 1,100 employees. We are a major factor in the automobile insurance business in Ontario and in Canada. More importantly, we have some 270,000 automobile policies in force in Ontario, serviced by some 800 brokerage offices.

Almost 47% of our total premium volume across Canada is generated by Ontario automobile insurance premiums. Therefore, we are vitally concerned that any changes that may be made to the present system will work to the long-term benefit of Ontario motorists, our employees and our brokers.

By way of background, the introduction of OMPP in June 1990 was the culmination of many years of exhaustive studies, reports and hearings into Ontario automobile

insurance. The plan featured a threshold no-fault system, greatly enhanced accident benefits and substantially higher income benefits. The public, in large measure, has indicated a high degree of satisfaction with OMPP.

The plan generated badly needed price and cost stability, while eliminating most of the criticisms levied against the previous plan, particularly with respect to the uncertainties that surrounded tort awards. Importantly, benefits under OMPP were delivered in a more timely fashion, claims service was improved and much greater emphasis was placed on rehabilitation.

With the advent of the new plan, there was a dramatic shift in the manner in which benefits were paid to accident victims. Understandably, the new product is not perfect and some alterations are now obviously required. We would prefer that, rather than making radical changes to the existing plan, a more cautious approach be taken, particularly with respect to the tort area.

I turn now to the issue of withdrawal from Ontario automobile insurance. Section 11 of Bill 164 has been amended significantly, thereby removing the threat of expropriation of capital of insurance companies, both foreign and domestic. The revised wording for this section now reads in part:

"For the purpose of this section, an insurer is withdrawing from the business of automobile insurance if the insurer does anything that results or is likely to result in a significant reduction in the amount of gross premiums written by the insurer for automobile insurance in any part of Ontario, including any of the following things that have or are likely to have that result."

It goes on to say in part, "taking actions that directly or indirectly result in termination of contracts between the insurer and the agents or brokers who solicit or negotiate contracts of automobile insurance on behalf of the insurer."

Should this section of the bill be passed unamended, it will have the effect of removing from insurers the ability to responsibly and effectively manage the operation of their companies. Importantly, the wording is elusive and fails to set out definitions of key terms, particularly with respect to "a significant reduction in the amount of gross premiums written" and, in addition, "in any part of Ontario." The apparent impact will be to virtually lock companies into existing relationships with their agents or brokers.

There are many circumstances in which insurers would wish to take actions for absolutely sound business reasons, which could put them in a position where they are deemed to be withdrawing from the business of automobile insurance as defined, or perhaps not defined, by Bill 164. Examples of such actions follow:

Most companies are federally licensed. Their solvency position is monitored by OSFI. In the event that a company reports an unsatisfactory solvency position, it must either add capital, difficult for a Canadian mutual company which finds itself under financial pressure, or reduce its liability exposure. A reduction in net written premiums may be required. Such action could well be a significant

reduction in automobile insurance written premiums and could well be interpreted as withdrawing from the business of automobile insurance in Ontario.

Again, from time to time companies find themselves in a position where it is difficult and not cost-effective to service various parts of Ontario. Brokers could initiate termination of contracts with a company, leaving the company with one small-volume broker which, because of remoteness, could not be realistically serviced. Would the termination of this broker place the remaining Ontario automobile insurance book of business in jeopardy?

Lastly, an insurance company may find, as a result of internal growth and/or merger with another company, that it may have an excessive amount of exposure to risk in any part of Ontario. Such a situation could impact negatively on the company's property catastrophe reinsurance costs. Indeed, many companies in the United States, as a result of hurricanes Hugo and Andrew, have taken action to reduce their exposure on the Atlantic coast region.

Canadian insurers may then implement programs for valid and prudent insurance risk management reasons to reduce property premiums written, which would have the unintended effect of also reducing automobile premiums. Once again, such an action might be construed as withdrawing from automobile insurance in the entire province.

It is not apparent to us why the government believes it requires this legislation. Certainly this section of the act is a very blunt instrument. There have been few instances of significant shortages of market in Ontario. When they appear and persist, market pools could respond. Competitive market forces, enlightened regulation and rate adequacy will normally provide solutions to market shortages.

I turn now to the issue of industry profitability. The decade of the 1980s proved to be a difficult period for Ontario automobile insurers. It was a period of relatively high inflation, which impacted particularly on the settlement of third-party bodily injury claims. Buoyant economic conditions have had a negative impact on claims frequency, and companies were reluctant to reduce rates to appropriate levels due to competitive conditions. Third-party bodily injuries usually take a number of years to settle, and many companies failed to realize how significantly the ultimate cost of these claims was rising.

Although Ontario automobile insurance results were proving to be unsatisfactory, overall insurance profits were reasonable, thanks in part to cross-subsidies of business in other provinces and other classes. For a time, these unrealistic automobile insurance rate levels were a bonanza for the consumers who were not aware, nor indeed informed, of the fact that their premiums were underpriced. The inevitable premium increases were decidedly unwelcome by the public and once more became a hot political issue. The political action was dramatic, and in 1987 automobile rates were frozen for all companies in the province, without regard to their competitive positions in the marketplace or the adequacy of their rate structure.

Clearly OMPP has to date proven to be profitable, on balance and for the industry. It has been estimated that the industry experienced an average pre-tax loss of \$294 million for the four years ending 1989, while 1990 and

1991 generated an average pre-tax profit of \$480 million. Undoubtedly 1992 will also be profitable. Nevertheless, the industry recorded a pre-tax loss of \$218 million over the six years ending 1991. This is clearly a negative return on the automobile business for six years.

It has always been a mystery to me how the industry allowed itself to be trapped into talking about pre-tax profits, when the real world only deals in after-tax profits. In reviewing results under OMPP, it is important to realize that experience remains incomplete on claims incurred during this period and that reserving practices are not fully reflecting upon unpaid claims liabilities incurred to date under OMPP.

It is also clear that this was a period in which Ontario experienced minimal growth in economic activity and an exceptionally high rate of unemployment, which combined to reduce automobile usage, resulting in the reduction of automobile claims frequency.

Investment income has been reduced this year and will be in the future. Indeed, one would believe that with Ontario facing desperately high annual fiscal deficits, the prospect of automobile insurance, an important part of the provincial economy, returning to a tax-paying position should be viewed positively.

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Losses incurred in automobile insurance in the 1980s were offset by profits generated from property insurance. This position reversed in 1990 and 1991. Under OMPP, rate stability was achieved in Ontario automobile insurance and a significant number of companies reduced rates in 1992. Overall industry return on equity, the most important measure of profitability, was restrained through the period. There is now, however, considerable evidence that current rate levels for OMPP, when trended over the next year, could be inadequate. If one adds a factor for changes required under Bill 164 as it is currently proposed, Ontario motorists could well be facing an increase in automobile insurance premiums of some 20%.

I'll turn the microphone over to Mr Taht at this point.

Mr Veljo Taht: I'll try to cover the costing considerations. There is probably a perception held by some that there's a margin in current private passenger automobile rates to absorb any increases that might occur as a result of the implementation of Bill 164. Economical Mutual filed a rate program with the Ontario Insurance Commission on January 11, 1993. The average rate increase in that program was 3.5% and the proposed rates are expected to produce a before-tax loss from insurance operations. Needless to say, it is our view that there is no margin in current rate levels.

We have reviewed the revised accident benefits regulations for the new product released January 18. It is our assessment that the changes will increase discounted private passenger loss costs by a minimum of 15%. This would translate to a \$108 increase in the average premium.

This assessment is based on our experience during the first two years of OMPP, consisting of over 500,000 car-years of exposure.

The increases in loss costs are spelled out in the table. The key numbers, I guess, would be the accident benefit

totals, going from \$152 to \$205 roughly, and the bodily injury going from \$64 to \$82. The combined costs of the people cover, those related to injuries, would increase by 33%. The other covers, the physical damage covers, would be unaffected and the total increase for all covers combined would be 15%.

That's based, as I say, on our experience, the numbers used in the filing. The increase in the medical rehab area is restricted to potential costs as we are currently aware of them. There's no allowance for advances in medicine or future treatment services, aids or devices that might become available. As well, there is no allowance for any shifts in costs from the public to the private sector, which are possible in the future.

To compare these numbers to Wyatt or Mercer's costings, the internal claims costs would have to be factored in at 8.1% and losses should be trended forward two years to an average loss date of June 30, 1993, for fiscal policy year 1993.

The costings carried out by both Mercer and Wyatt have been meticulous and detailed. However, both have had to rely on assumptions in areas where no experience was available.

Our experience for the first two years of OMPP has differed from those assumptions in one major area. Individuals are remaining disabled for longer periods than allowed for in either of the previous costings. For example, starting with 1,000 individuals receiving some disability payment, the table below shows the number still expected to be disabled at various durations, based on our actual experience for the first two and a half years of OMPP.

The key number is that roughly, after six months, you would have 380 individuals still disabled; the costing assumptions were 195, or almost half of that. After two years we would have 136 people still receiving disability payments; the costing assumptions were 47. The longer periods of disability would significantly increase Mercer's costing of both OMPP and Bill 164.

Mr Glen Walker: From a claims perspective, we have a slogan at the Economical Mutual Insurance Co used by our claims department to define its role in the handling of customer claims. It simply states, "We are the product."

The claims department of any insurance company is the end result of what the consumer buys, and the product that we deliver at the end all depends on how the company delivers that service. We are the ones who have to deal with the face-to-face human issues of the whole matter, and we also have to accomplish this by interpreting the policies that are presented by the policies, and also applying those on the street level, coping with all the wide spectrum of problems in doing so.

As you will appreciate, in the short time we have it's impossible to address all the situations we feel Bill 164 poses, but I'll just start with some.

On the tort access reform, we all know that the new recommendations replace the present "verbal threshold" with a deductible threshold in determining access to the court system for non-economic-loss compensation, and the present verbal threshold allows only cases that are very

serious to be adjudicated upon. That also includes economic and non-economic benefits.

Our point here is really that the Ontario motorist protection plan is only two and a half years old and has not had enough time to mature in its interpretation of the verbal threshold. Only recently have the courts now ruled on several cases, and one of the most recent cases lightened that threshold quite considerably. Therefore, really, we feel that more time is needed to spread that out before testing of that threshold really takes place.

In Michigan, as you're aware, which has had that verbal threshold for quite a number of years, it took approximately five years before they reached a satisfactory, stable level.

We are opposed to the new proposal for court access for the following reasons:

(1) The proposal represents a return to the disastrous adversarial relationship which precipitated the product reform of OMPP.

(2) It signals a return to excessive court backlogs, case building, exaggerated injury and recovery periods and an overall delay in case settlements.

(3) The adjudication and administration of bodily injury claims are extremely expensive and time-consuming.

I'll just refer you to exhibit 1 on the back, the first page. This is an attempt to give you a snapshot view of the number of hours the average field adjustment would be in a two-year period. Pre-OMPP, approximately 95% of the injury cases that were outstanding after two years took a minimum of 30 hours of field work, and this does not include the examination or administrative work inside the company. When OMPP came around, if you can snapshot this, 80% of the claims are basically non-existent. They were claims for minor injuries where not much time was adjudicated and not much time spent.

Ten per cent of the claims, we have estimated, are intermediate claims, claims where we're not too sure what the threshold was, but that were serious enough to require further investigation, about 8 hours' time. But when the threshold claims, which we know, I think, in the industry are about 6% of the claims that have been there, about a 10% band—require that same amount of investigation. A serious bodily injury is the same now as it was before that.

I feel, in checking with colleagues and a number of people in the industry, that a return to tort, as Bill 164 proposes, would bring us back up to 95% of most claims that are going to be around and will require full investigation, another 30 hours plus. When you look at those hours, whether you do them yourself as a company or use independent adjusters or other vendor services, you're talking a lot of significant expense money.

(4) It is impossible to restrict the degree of investigation necessary to defend cases which may exceed the deductible suggested.

In other words, it's very difficult to go out there on a grass-roots basis and say, "This case will not reach the new determination of the \$15,000 deductible." Two and a half years ago in Toronto, average whiplash cases of two years' duration were getting anywhere from \$15,000 to \$30,000 in non-economic-loss awards.

Mr Harnick: Baloney.

The Chair: Mr Harnick.

Mr Walker: Well, sir, I can show you that—

The Chair: You have the floor, sir. Don't listen to the members on the side there. You're talking to me and I'm listening.

Mr Walker: Okay. Anyway, the point of the matter is that it is very difficult under Bill 164 to make that determination, as it is today under the present OMPP.

(5) Bodily injury losses will increase significantly both in costs and numbers, which in turn will force up premiums.

(6) Costs associated with litigation are significant, and these are funds diverted from accident victim benefits.

(7) Consumers are presently satisfied, we feel, with the present no-fault program.

It is our opinion that the present verbal threshold needs to be kept in place and given sufficient time to acquire a stabilized level of interpretation through the court system. Increasing tort access is an unwise application of premium dollars. Those dollars should be directed to satisfy the obligations under the accident benefits program, which provides essential treatments for injured victims of accidents.

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It must be remembered that all motor vehicle accident victims in Ontario have access to this enriched plan. It is not a determination of fault; it doesn't matter who's at fault in the accident. I think we've got to keep that in mind in these discussions at all times. It took some 20 years for this plan to be developed and we're at a point here where we're changing it drastically after a two-and-a-half-year period.

In the area of accident benefit enhancements, it has afforded the insurance industry, and in particular claims persons, significant new challenges in the handling of clients' claims. We've moved from an adversarial tort environment to a no-fault structure, and this is a 360-degree turnabout from the traditional we've used in the past in claims handling.

It's not an unwelcome change, believe me. The elimination of tort for all but the more serious cases allowed full emphasis to be directed towards the wellness aspect of those person injured as a result of a motor vehicle accident. Because of the increased interaction of dealing in a non-adversarial atmosphere in which fault plays no part, customer service attitudes have been enhanced and the system readily accepted by the public.

For our part, we are convinced that a no-fault automobile accident program such as we enjoy under OMPP is by far the best system of compensation for accident victims possible. Having said that, we realize that there is always need to explore improvements to any plan. On that basis, we applaud many of the changes suggested in Bill 164 and the attempt to clarify and correct some apparent OMPP deficiencies.

The regulation wordings are extremely complicated and in some areas are ambiguous, but we are confident the government will be open to suggestions to fine-tune them prior to implementation so that they may become readily understandable.

I'll give you an example in the death benefits. The proposed death benefits changes present far too many complications, especially in the area of determination of amounts. In order to assess the benefits payable, it will be necessary to intrude upon a bereaved family's financial background at a time when it would not be very sensitive and perhaps an offensive procedure to do. If the intent is to enhance the death benefits, why not simply retain the present system of a lump sum payment that is common to all life policies? If more coverage than a basic amount is required by a policyholder, this could be made available by choice of the consumer and his personal needs. To attempt to determine the net income of an insured after death is an unwieldy and unnecessary procedure.

We urge you to keep it simple so we can then quickly issue and deliver the benefit cheque to the survivors when they need it most. Do not make it necessary for us to negotiate the amount owing with widows and orphans.

Removal of caps in the accident benefit area: This causes a lot of concern to all insurers. Removal of caps to provide unlimited financial benefits to an insured person may in theory appear to be the right direction to move but the question is, can this coverage be afforded? In order to fully understand some of the ramifications of providing unlimited coverage, I refer the committee to the accompanying exhibits 2 and 3, which outline the amount of benefits—

The Chair: Mr Walker, you have six minutes left.

Mr Walker: Okay; I'm trying very quickly.

The Chair: No, the thing is, that leaves only two minutes for each caucus.

Mr Walker: Yes, okay.

The Chair: We all have copies of your brief. It's up to you if you want to carry on and use your whole time.

Mr Walker: I would just like to show, using those exhibits 2 and 3, the case of the 16-year-old quad. This is an actual case which would show you the amount of money available under Bill 164 as proposed, indexed and discounted, to be fair. It's something the committee can examine. It's not designed to show anything other than the fact that there is more money available for that purpose.

Indexation we feel needs to be capped, needs to have a proper form of indexation so that we can restrict it to a yearly maximum to allow for the predictability of future costs.

Again, just in summary, prevention—you've heard it all before—we think road safety and improved safety items, especially in impaired driving areas, need to be addressed as part of this program.

The Chair: Mr Harnick, one question.

Mr Harnick: Under your pink tab, the fourth page, it says: "Loss cost per car \$483.39 under OMPP." Do you see where I mean? If someone's paying a \$900 premium for annual insurance, that would mean that the profit you're making is approximately \$400 on a policy, correct?

Mr Taht: Oh, this is the average cost.

Mr Harnick: That's right, and if the average cost of premium is about \$900—

Mr Taht: Our average cost isn't \$900.

Mr Harnick: I'll tell you, I haven't had an accident and Dominion of Canada gives me the best rates, it tells me. I pay \$900. If you take \$900 and you take the \$483 off it, it means that you're making about \$400 profit on a policy.

Mr Taht: No.

Mr Harnick: It seems to me there's five million drivers in Ontario, which means that accounts for the industry making about \$2 billion a year.

Mr Taht: I think you're starting from a false premise. You're starting from a premise that the average premium and our average premium is \$900.

Mr Harnick: What's your average premium?

Mr Taht: Our average written premium per car is \$721 for 1992 written premiums.

Mr Harnick: I'm moving to you then.

The Chair: Charlie, we're with the wrong company. I've got Dominion also and I'm a bit higher.

Mr Harnick: Yes, I'm paying more.

Mr Taht: Perhaps if I could just comment on that, the premium that you pay depends on the type of car you drive and so on. I would assume a person in your position would drive something better than an average car and so on.

Mr Harnick: How about a Tempo?

Interjections.

The Chair: I go on to Mr Winner. You can have this discussion and shop for insurance after the committee meeting.

Mr Winner: Just two brief points: I think it is worthwhile studying your exhibit 3 under exhibits, because there are figures there that show quite illustratively some of the benefits that would accrue under Bill 164 that might not have accrued under pre-OMPP or under OMPP. I think we should certainly study that one closely, because it appears that the amount that an accident victim would be entitled to is greatly enhanced under Bill 164, giving your criteria.

Mr Taht: No. What this demonstrates is just the average length of disability. The length of disability, I would expect, would not be affected by either Bill 164 or OMPP; that is, if a person is disabled, whatever length of time he's disabled, Bill 164 would give him higher benefits but would not—

Mr Winner: Are you talking about exhibit 3, Bill 164 impact case study?

Mr Taht: Oh, I'm sorry.

Mr Winner: You're on a different table. Sorry, he was on the wrong table, Mr Chair, but I did have one other short question.

The Chair: There are no more short questions for short people.

Mr Winner: Tommy Douglas used to say, "In our party we measure stature from the neck up."

The Chair: Your mike isn't on, Mr Mahoney. Wait until your mike comes on there.

Mr Mahoney: It's unfortunate we don't have more time, because I wanted to ask about some of the reinsurance treaties that you referred to and also how you actually

justify exhibit 1, where there is not going to be non-economic access to the courts, how you justify that being the same.

Since I'm limited really to one question, maybe you can try to fit this into your answer. Nobody this morning or whom I've seen in any of the briefs has touched on the impact on small business. We're talking about average premiums. I don't know who pays \$700, but I'd sure like to get a premium like that myself, so I don't know how the average is arrived at. But small business was concerned about the OMPP, and we're looking for amendments and regulations, and you referred to some minor changes making sense to the OMPP rather than this radical surgery that this government is foisting on us.

The Chair: Question.

Mr Mahoney: My question is, can you reply in some way to how you see the impact of Bill 164 on small, independent entrepreneurs?

Mr Walker: I can probably give you an example. Under OMPP there is no formula for determination of benefits, wage benefits for a product. My wife has a small business and she's in that position too. If she's injured, it is really going to be a hard thing to determine how much money she can get and how much it would be to carry on the business.

Companies are left at the present time with their own resources to work with accountants and come to a fair figure. Now that may be fair for one and not fair for the other. I think Bill 164 presents a better alternative in the sense it has some formulation there. It's not perfect and there are still holes in it but it's a better step. I think the idea of letting business persons predetermine what they want is better.

The Chair: Mr Walker, the time has run out. I'd like to thank you, gentlemen, for appearing before this committee.

BICKERTON BROKERS ONT LTD

The Chair: The next group coming is Bickerton Brokers Ont Ltd. I believe you have associates to join you there. Do you have other associates to come forward?

Mr Alan R. Bickerton: He's sitting beside me.

The Chair: Okay. I know I talked to that gentleman earlier. I'd like to welcome you to the standing committee on finance and economic affairs. We have until 3 o'clock, and if you can leave some time at the end of your brief, as you can see, the members like to ask questions on your brief to get a better idea of where you're coming from. If you don't mind identifying yourself, you may begin.

1430

Mr Bickerton: Thank you, Mr Chairman. My name is Al Bickerton. I'm president of Bickerton Brokers Ontario Ltd, a medium-sized brokerage in Kingston and Gananoque, and I'm the past president of the Kingston Insurance Brokers Association. I have with me Steve U'Ren, whom I'll have introduce himself right now, and then I'll continue with my presentation.

Mr Steve U'Ren: My name is Steve U'Ren. I represent and am a partner in a medium-sized brokerage in Brockville, Ontario. I have approximately 30 years' experience

in the insurance industry. Fifteen years of that was spent as an insurance adjuster, both at the company level and as an independent insurance adjuster. The last 15 years have been spent as an independent insurance broker.

With this background I feel I am in a position to fairly comment on the insuring public's attitude towards the automobile insurance product, both in its old form, its present form under OMPP and what that attitude might be if Bill 164 is implemented. This is Mr Bickerton's presentation. My only involvement from here on in might be during the question and answer period, and I turn it back to him.

Mr Bickerton: Thank you for the opportunity to present my position on your Bill 164 this afternoon. My presentation will take about 10 minutes, and I will look forward to answering any questions you have. In order to maximize the usefulness of time, I would appreciate partisan chip shots being kept until after my 30 minutes so that we don't repeat the efforts of this morning.

My firm in Kingston and Gananoque represents about 5,000 clients and has been in operation since 1949. About 50% of our total business is made up of auto insurance.

First, I think it's important to remember the history surrounding auto insurance over the past several years. Up to the mid-1980s, lawsuits and auto repair costs were rising rapidly, with an increase of 16.5% over five years. The increase in those costs meant higher costs for insurance companies and subsequent dramatic increases in insurance costs for consumers. Consumers reacted very angrily to these cost increases.

In 1987, the Liberal government froze premiums through the OAIB, the Ontario Automobile Insurance Board, of the time, and tried to eliminate any discrimination on rating by removing age, sex and marital status as rating factors. However, after having companies waste hundreds of millions of dollars with computer system changes, form changes and staff training to deal with the new rating variables, they called it off at the last minute, reinforcing what our industry had been saying all along: This system would cost too much for consumers.

1990 brought the Liberals implementing OMPP and the current no-fault system. In September 1990, upon election, the current NDP government promised to bring in its long-planned publicly owned auto insurance system. Once again, the insurance industry successfully pointed out that this initiative would cost the economy of Ontario very dearly and would result in greatly increased costs for consumers. As a result, the public auto initiative was dropped and the NDP faithful expressed their disappointment at the government's decision.

In December 1991, with NDP members disaffected by the government's decision to back away from public auto, Minister Charlton introduced the current Bill 164. The minister initially said that despite the enhanced benefits of 164 and increased access to tort, Bill 164 would not result in increased premiums because insurers could afford to provide these new benefits since they were very profitable under OMPP. The minister now concedes that the government's own actuarial study, even with its inaccurate assumptions, indicates that an increase will indeed occur from the implementation of Bill 164.

We in the insurance industry know that even now, with the 1993 reinsurance contracts seeing huge increases, the current level of auto premiums under OMPP is inadequate. Insurance costs will have to increase in order to bring current OMPP rates to an adequate level, so consumers will pay more even without Bill 164.

We also know that the government's own study was done by looking at none of the experience of OMPP. The insurers' actuarial study of the available period of 18 months of OMPP indicates Bill 164 would result in cost increases of around 19%, taking into consideration the cost increase necessary to bring OMPP rates to an adequate level.

Suppose both parties are wrong and the real figure is only 10%. Regardless of the amount of the increase, can you really support any level of increased costs of auto insurance imposed on your constituents when inflation is about 1%? The province is still in a recession and pay raises are flat for the jobs that still do exist.

Just last week I was asked to speak to a local seniors' club at a luncheon. Many seniors explained how hard things were with their investments yielding about half of the income of just five years ago. These folks will suffer large premium increases, with virtually no benefit changes under clause (b). Remember, these people are not employed and will be paying increases in their insurance so that others can enjoy enhanced benefits. How fair is that?

I can assure you that they were very upset. I have presented to the clerk of this committee letters from 46 seniors who took the effort to extend their feelings to you. I would hope you each have an opportunity to read some of those at a later time. The overwhelming message they sent was: "Why doesn't the government just leave auto insurance alone? It was working very well and prices were actually declining over the past two years."

As I mentioned earlier, my office serves about 5,000 clients, most of whom have auto insurance. Compared to the pre-OMPP system of "Sue and we'll win the lottery," when claims often took up to eight years to settle, claims are now settled very quickly, within even a few weeks or even days, and disability payments are made quickly throughout the period of disability.

We've polled every client after a loss to ask their satisfaction levels. We used to get regular complaints about adversarial adjusters and arguments among the various parties in the transaction. Since OPMP, we get virtually no complaints. The system is working. People generally do not want to return to tort. It's just too messy and too painful for all.

The insurance industry has already provided suggestions for improvements in benefits payable under associated costs which they see as required to the current OMPP. Additionally, they have made extensive recommendations to improve road safety, such as graduated licensing. So far, the government has apparently disregarded this informed advice.

Returning to tort with a \$15,000 deductible fools nobody. The seniors I spoke to just last week laughed out loud when I mentioned that Bill 164 increases access to lawsuits but imposes a \$15,000 deductible. They realized immediately that settlements will simply be inflated so that claimants are not adversely affected by the deductible. I

believe it will only take a few cases in the courts to establish new higher levels and inflate court awards as a result of this deductible.

Also, Bill 164 creates an extremely complex insurance system and Ontario drivers will become confused by this incredible complexity. The goal should be to provide a system that's easily understood by consumers. Bill 164 is not needed at this time. The industry has acknowledged that there are areas of OMPP that need improvement and has made suggestions on how to do this. All Bill 164 accomplishes is a greatly increased level of complexity for auto insurance and an unacceptably higher cost for the people of Ontario.

I'm also concerned that Bill 164 gives cabinet the power to change the class plan and rating basis for auto insurance. This enables politicians, who know very little, if anything, about insurance rating, to change such things as the current system of rating based on actuarially sound factors of age, sex and marital status. The Liberals tried to eliminate these factors and cost the industry hundreds of millions of dollars before they realized that the changes would not work. The only thing that made them change was the public pressure and concerns resulting from the public hearing process.

Do you really think it's sound to enable politicians to establish rate changes without consulting the public and allowing your electorate to speak their minds, or indeed to even be aware of the changes to their cost of insurance that are being contemplated? The public will perceive these changes by cabinet as being motivated for political reasons only. This is not fair to your public.

In summary, there are two key points I want to leave with you. Your proposed system under Bill 164 is far too complex and will be far too costly for Ontario consumers. I'm not suggesting that it's completely unworkable if necessary modifications are made to the bill; however, you'd better anticipate the political fallout from the cost burden you will impose on the very people whose best interests you have pledged to serve.

Thank you for your attention and consideration.

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The Acting Chair (Mr Paul R. Johnson): Thank you for your presentation, sir. The first question goes to Mr Wilson.

Mr Gary Wilson (Kingston and The Islands): Welcome. Thank you for taking the road this morning travelling here. It's a pleasure to meet you here, as it always is a pleasure to meet you, and as usual you've done a very thorough job of presenting things. I would, though, like to mention some of the benefits that the new system brings into place. I'm not sure, when you were talking to the seniors for instance, that you itemized the benefits and the improvements that we've made under Bill 164: the removing of \$500,000 caps on rehabilitation and medical services, indexation of benefits, addition of education disability benefits for students, increase in death benefits, extension of dependent-care benefits to working people and increasing dependent-care benefits to those not working, payment of visitation expenses and mental or psychological injury

considerations. I just wonder what your view is on some of those benefits.

Mr Bickerton: Without getting specific on any one, I'm sure that a lot of the benefits in there are excellent. I'm not contesting that. All I'm saying is that they come at a very high cost. I think, for instance, uncapping the rehab costs will wind up representing a very difficult thing for insurers to quantify. I think you'll wind up ultimately with a very unstable premium pattern as companies try to jockey their reserves to accommodate those unlimited future claims. I'm certainly no actuary, and I'm lucky if I can count to 10 without a mistake, but I can tell you it's going to be expensive. So if you want expensive delivered to your constituents, you've got it in Bill 164. If you want it, you've got it, and pass it tomorrow, but I'm telling you that there will be an enormous political fallout from it, from the people I speak with.

Mr Gary Wilson: Of course, we've done the same kind of investigation as you have and have listened to people and also looked at the record of the insurance companies over the last couple of years under OMPP to see that there is money in the system.

Mr Bickerton: But Mr Wilson, your own actuarial study, which came out suggesting 4%, didn't even look at OMPP. So how can anybody rationalize that 4% is a sound number when you don't even look at the system from which you're progressing? I think there's a bit of a shortfall in the basis on which you're making your judgements.

Mr Gary Wilson: I'd like to ask you about the tort system. You call it messy and painful. What are some of the things that you are referring to there?

Mr Bickerton: With respect to the lawyers in the room, the protracted duration of claim settlement is exceedingly slow and painful for people. We had a client in our office whose claim you may recall in our region. This is pre-OMPP. The poor chap was in court for years, didn't work for years and settled ultimately for a reasonably paltry amount of money. I don't know where all the money went, but it eroded and it went to fee settlement and so forth.

I'll give you a quote from a friend of mine with whom I used to work. He was one of the leading tax lawyers in the United States, and he said: "I just love it when the government comes out with a new tax act. It's terrific. My income is directly proportionate to the thickness of the act." That's a direct quote from one of the leading tax attorneys in the States.

Again, with respect to the lawyers in the room, everybody has a living to make, but I'm telling you that a lot of the cost of this thing is going to go to fee support. I can't tell you the specific numbers, but the insurers can and, I'm sure, have.

The Chair: Mr Mahoney.

Mr Mahoney: Mr McGuinty's first.

Mr McGuinty: Thank you, gentlemen, for your presentation. I think the points that you've made with respect to the costs were very well taken. Maybe at some point somebody could make an argument to the effect that this somehow was going to make for good legislation, but

surely the argument can't be made that the government should be unilaterally causing insurance premiums to increase in the context of a very severe recession. My understanding of this program was that it will put premiums up, all told, by some \$500 million. Is that correct?

Mr Bickerton: I don't know the gross amount. I'm just told that it's double-digit for sure.

Mr McGuinty: We're talking about premiums going up, then, something in the neighbourhood of 20%. That can translate into \$200 increases, and this at a time when the government is telling us that inflation is less than 2% and we've got a rate of unemployment in this province in the neighbourhood of 11%. There are 550,000 people unemployed. That's \$200 for each driver that will not be free to inject into the economy and try to get things rolling once again.

So for the life of me, I simply cannot understand why the government at this particular stage—notwithstanding all the other very good arguments that were made against Bill 164—is telling us it intends unilaterally to apply what is effectively a regressive tax. It's going to hit the people at the poor end of the spectrum harder than those at the upper end of the spectrum in terms of income. I can't understand why they're doing it now. I don't know if you can shed any light on that. If you can't, then I don't blame you and I'm going to turn it over to my colleague here.

Mr Bickerton: I guess it's difficult for me to shed any light on it—because I have the same difficulty—other than excusing it by way of saying that there is great rejection within the NDP about its turning down a publicly owned system. This is maybe a way to make a change—make a change for better or worse, but make a change. I think it's going to be very expensive, like you said.

Mr Mahoney: I think you hit it, by the way, that it's a back-off position to try to satisfy the Peter Kormoses of this world and that obviously hasn't worked. That's the reason they're trying it.

I appreciate the fact that both of you as brokers are probably less impacted by this than the insurance companies, because your clients still are going to need insurance, regardless of the cost. So I think you're coming at it, really, from a very neutral position and your brief is quite excellent.

I wonder if you've given any thought to what might be the next political step in this government's march along these lines—that is, a freeze to any premium increases. How do you think the industry would react to that?

Mr Bickerton: If they're obliged to support the kinds of benefits that 164 would legislate and they're told premiums will freeze, I think we'll see a substantial constriction in the market. I'm sure the insurers who have gone before me alluded to that. I don't know how their hands would be tied by the withdrawal provisions, but it puts them in a very, very awkward spot if they cannot return a profit of any kind, or any hope of a profit, to their shareholders.

Mr Tilson: The word you've mentioned which pops up in delegation after delegation is "uncertainty." I can remember quite clearly, when OMPP was introduced there would be no more insurance rate increases. At that particular time, at least, that was one of the reasons why OMPP

was introduced. Of course, time has gone on and there are insurance rates for the reasons you've given and, notwithstanding what Bill 164's going to do, there are going to be some insurance rate increases now.

Then, of course, we have the minister come along and say, "With Bill 164, there'll be no rate increases." Since Mercer, he's said, "Well, there'll be some rate increases." So there's all that uncertainty. People don't know whom to believe. They don't know whether to believe the insurance industry; they certainly don't know whether to believe these people—

Mr Mancini: They shouldn't believe them.

Mr Tilson: Well, they're not believing them and I think that's the biggest fear of all: the whole subject of uncertainty. It gets back to the words "the innocent accident victim." That's what it's all about. That's who you people are trying to protect; that's who the road safety rules and all the things you're proposing and that our party is proposing—and that's what seems to be forgotten. How can we create some certainty?

Mr Bickerton: Leave the system alone and make the modifications the industry, which has seen whatever inequities do exist within OMPP—they can be made with the costs that the industry has supported and can support by statistics and actuarial studies, and leave the rest of it alone.

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The more the government gets involved, the more complex it is, the more it's going to cost. The party before us, from Economical Mutual, well cited the fact that it has to now, or will have to, investigate every claim, because there's no way of telling what will now be pain and suffering, and all the other nonsense that goes with it.

Mr Tilson: Time, Mr Chairman?

The Chair: You've got three minutes left.

Mr Tilson: Mr Harnick has one question for you, but I have one more question for you. Just to comment again on that very topic that you're getting at, and that is the whole subject of bureaucracy: bureaucracy among the insurance industry, bureaucracy at the commission. The innocent accident victim, again, getting back to him or her, doesn't know who—the lawyers have gone, because the tort system has essentially been withering away with the emphasis on the benefit package.

You people—not the brokers, necessarily, but the insurance industry—are going to be making it more difficult, simply because the government's going to make it tougher and tougher for you to exist. The Facility people came along and told us how they're going to be regulated to death. So I guess that gets to the next fear that I'd like you to emphasize or at least talk about briefly, and that is the comparison that this whole mess of bureaucracy, the thick pages of bureaucracy, the possible expansion of the insurance commission, could turn into a Workers' Compensation Board.

Mr Bickerton: God forbid that it should. Our industry—you've heard this before too—is legislated in the form of the product we sell, absolutely legislated in that, which is why we're here today. We're legislated in the

price that we can sell it at, and a couple of the other industries you do that with are Ontario Hydro and workers' compensation. I would submit to this commission that you've kind of screwed those up in a big way, so don't do it again. That's my only comment.

Mr Harnick: On page 6 of your brief, you state that, dealing with the \$15,000 deductible, settlements will simply be inflated so that claimants are not adversely affected by the deductible. How do you know that?

Mr Bickerton: I don't know it definitively, because it hasn't occurred yet, but I don't think you have to be a rocket scientist to figure out that it's going to happen. I see it, frankly, Mr Harnick, every day in body shops. A body shop will inflate—and this is no secret to anybody—a claim to cover the deductible.

Mr Harnick: So you're saying that the judges will do the same thing and the juries will do the same thing.

Mr Bickerton: I would think in time it will gravitate through the system, yes.

Mr Harnick: What bothers me is that you go on to say "so that claimants are not adversely affected by the deductible." It's almost as though you want claimants to be adversely affected.

Mr Bickerton: The implementation of any deductible is to have the damaged party share in that settlement.

Mr Harnick: And that's not right if someone's seriously injured.

Mr Bickerton: If that's called "adversely affected," then yes, that's what happens. When you have a claim on your car and you pay a \$250 deductible, you're adversely affected, and that's why I stated that. Do you have anything else on that?

Mr Harnick: What I'm concerned with is whether you want seriously injured persons to be adversely affected.

Mr Bickerton: No, I don't think that's the intention of anybody, but what I put it in there for was the fact that if you're implementing a deductible and a settlement is \$35,000, the party injured is going to be paying \$15,000 right now. My submission to you is that over time—and I can't tell you how quickly—that settlement will be \$50,000, so the party's put back in the correct economic position he would have been in the first case.

The Chair: Mr Wilson.

Mr Harnick: We're finished that round.

Mr Tilson: We're not going to do it again.

Mr Harnick: He started the questions.

Mr Kormos: May I, Chair?

Mr Tilson: I've heard enough of Mr Wilson.

The Chair: I walked in at the end. The Liberals—

Mr Tilson: You've got to learn how to count, Mr Chairman.

Interjections.

The Chair: Okay, then I go back to Mr Mancini, because the Conservatives have had six minutes.

Mr Bickerton: We've got six minutes left, so could somebody ask a question?

Mr Mancini: I want to thank you for making your presentation today.

Interjections.

Mr Mahoney: You're done. It's over here.

Mr Mancini: The Chair made an honest mistake and he cut the Liberals' time short because he thought that you people hadn't asked your questions. It's as simple as that. It happened, and that's the way it was.

Mr Johnson: The honest mistake was when we changed Chairs. I told Mr Hansen that the Liberals were to start at 12 to, and when the question Mr Wilson was asking was finished, he went to you, and in fact he shorted Mr Wilson three minutes.

Mr Mancini: Thank you. I want to—

The Chair: Mr McGuinty had the floor at that time.

Mr Winninger: Point of order: The time should be prorated, Mr Chairman.

Mr Kormos: Prorated? Give it to Kormos.

Interjections.

The Chair: Mr Wilson only had one question?

Mr Winninger: No, I have a question.

Mr Tilson: Give it to Kormos.

The Chair: Okay, I'm going to make the decision to go back, because I thought Mr McGuinty had the floor at that particular time.

Mr Mahoney: Make him do it all over again.

The Chair: Mr Winninger.

Mr Mancini: That's ridiculous.

Mr Winninger: Back in August 1991, I had about 800 insurance representatives congregate outside my office in London. The story went across the province. They were saying to me, "Don't take over auto insurance and make it public, because we can improve benefits, we can contain premiums and we can improve the rating system without your taking it over."

Now we make a modest effort to follow through on the very things that your industry undertook to do and basically we're hearing you cry foul. You can't offer the better benefits, you say, and contain premiums, and the rating system can't be improved to restore equity to the rating system without premiums skyrocketing. I don't follow the arguments that were made at that time or that are being made now, because they're contradictory.

Mr Bickerton: I don't recall any suggestions from the brokerage community that we could change the rating system for the better. Frankly, the discriminatory rating system which exists right today makes a lot of sense. I think it's an excellent system. To de-discriminate the rating system, I think, makes absolutely no sense. I said that repeatedly to Mr Wilson in Kingston.

On the issue of rate reductions or rate stability, I think that if you look back over the last two years you'll find that rates have in fact declined. There has been no rate increase for other than accident-related situations. Premiums have come down.

I've forgotten the third point you made.

Mr Winninger: Improve the benefits, which is what we are doing, for the consumers.

Mr Bickerton: I think you'll find that the Insurance Brokers Association of Ontario, which you heard from last week, and the insurance industry have also stated that there can be benefits brought forward without substantial increases in premium. They've already made that point to you, so I don't know what your point is.

Mr Winninger: You're arguing for the status quo, and that bothers me.

Mr Mancini: I'm almost flabbergasted by Mr Winninger trying to chastise the witnesses because the NDP didn't keep its own promises.

Mr Winninger: You had a witness walk out in Thunder Bay; you shouldn't talk.

Mr Mancini: That's because you guys were yelling at the Tories.

The Chair: If you don't cut that out, I'm going to leave too. Let's get on with the question.

Mr Mancini: The NDP is chastising you because it promised three things. They promised government-owned automobile insurance and they failed on that promise; they promised lower rates and Bill 164 breaks that promise; they promised the full right to sue for everybody and they broke that promise. I don't ever remember the brokers association making promises; they're the ones that make the promises.

I want to cut through all of this and get right to the heart of the matter. Bill 164 does in fact give more benefits in some areas. Is that not true?

Mr Bickerton: That's true.

Mr Mancini: At the same time, Bill 164 takes away the right to sue for economic loss and, in doing so, takes away a great deal of benefits for some insured people. Is that not true?

Mr Bickerton: That's true.

Mr Mancini: Therefore, you have some people getting more benefits and some people getting less benefits, but at the same time, sir, you would agree with me that all statistics, even government statistics, have shown that rates are going to go up. Is that correct?

Mr Bickerton: That's correct.

Mr Mancini: Would you not agree with me that women who earn less than men are going to end up having to pay more for their insurance than men if all these changes go forward? Is that not true?

Mr Bickerton: Yes, especially if they try to de-discriminate the rating base. That'll hugely affect women and seniors, no question.

Mr Mancini: That was going to be my second point. Is it not also true that once they eliminate the age factor in the rating factor, senior citizens, who by and large statistically have good driving records, are going to have to pay more so that young men, who statistically have poorer driving records, are going to pay less? Is that not true?

Mr Bickerton: That's correct.

Mr Mancini: Where is the fairness in this legislation?

The Chair: I'm sorry, Mr Mancini. Time has run out. I'd like to thank you for appearing before this committee.

OTTAWA INSURANCE BROKERS ASSOCIATION

The Chair: The next group is Dale Intermediaries Ltd. Would you come forward, please. Do you have any colleagues with you?

Ms Evelyn Scullion: No. As a matter of fact, I'm not here on behalf of Dale; that's my employer. I'm here on behalf of myself and my association.

The Chair: That's fine. We've got it straight. Would you please identify yourself and the association for the purposes of Hansard. We have from 3 until 3:30. You may begin.

Ms Scullion: Mr Chairman, I wish to thank you and your committee for allowing me the opportunity to express my views on Bill 164. My name is Evelyn Scullion and I am here today as a consumer and as president of the Ottawa Insurance Brokers Association, representing 500 local insurance brokers in the Ottawa-Carleton area.

Personally, I am quite satisfied with the pricing of my automobile insurance as a component of my annual expenses and have found the pricing very stable over the last five years. While I was originally negative towards the concept of OMPP, the experience that clients have had with the product has converted me to a supporter. I do agree that some improvements to OMPP are required and that some aspects of Bill 164 offer needed reforms, but feel there must be a balance between cost and benefit.

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As president of the Ottawa Insurance Brokers Association, speaking for my members, I wish to state that we cannot absorb any further market instability. The various factors in the economy have had an impact on the profitability of brokers, as our fortunes follow that of our clients. With our clients downsizing their businesses, bankruptcies, slowdowns in construction and the reductions in our clients' assets, there is already less income to keep brokerages alive and support our employee base. Bill 164 represents yet another disruption within the insurance industry, the sixth legislative change in the last seven years.

With the present economic situation increasing the cost of claims due to the increased frequency and severity of criminal activity and the interest rates at their current levels providing no relief for underwriting losses, brokers cannot face any more instability in their business.

Furthermore, the insurance brokers I represent are concerned that their clients will be faced with double-digit increases at a time when they can least afford it. The recession in Ontario has meant that a growing number of our clients are on fixed incomes or are currently unemployed.

With regard to OMPP, consumer surveys indicate consumers are satisfied with the new system because premiums have stabilized and claims are settled quickly with improved customer service. It is still very early to judge OMPP since it has only been in effect since June 1990. The industry has acknowledged that there are areas of OMPP which need improvement and has forwarded suggested areas of improvement to the government.

The cost to employees of the benefit package provided by my employer doubled this past October, and the coverages were substantially reduced. This package involves term life insurance and disability, dental and the like. My salary is also not keeping pace with the cost-of-living index; this is another economic reality.

I have read the Mercer bulletin of December 1992 entitled *Workers' Compensation: Systems in Crisis*, and I quote the following passage from it:

"For most workers' compensation programs, the problems began with increasing levels of worker expectations that rose in the 1980s throughout North America. Significant pressure was exerted to liberalize the work-relatedness requirement in fulfilling the criteria for a compensable injury. Changes were made to react to the higher expectations.

"Most systems are simply incapable of meeting the expanded level of entitlement plus elaborate combinations of benefits and complex rehabilitative and rehiring requirements. The greatest challenge faces Ontario, where the financial situation is increasingly desperate. The unfunded liability passed \$11 billion at September 30, 1992, and will be higher by year-end."

If the province cannot fund a capped system, how is the private insurance industry to finance a system of benefits with unlimited and uncapped medical and rehabilitation benefits? Currently, under OMPP the right to sue is limited to those with injuries severe enough to meet the threshold. This has reduced the cost of investigation and legal costs in the majority of non-threshold cases. Removing the right to sue for economic losses in all cases is patently unfair. An example reported to me by a local broker is a case in point.

On December 4, 1990, a 47-year-old man riding a bicycle was rear-ended by a car, and he died, leaving a wife and eight children. This broker happened to represent both parties and can state that within three weeks of her husband's death \$235,000 in death benefits were delivered to the widow and that a structured settlement of two thirds of a \$600,000 settlement is now being concluded. I won't attempt to calculate what the outcome or time frame under the proposed system would be, but the point is that the current system works well in giving immediate relief and rehabilitation to the most seriously injured and to those bereaved.

The Road Ahead states: "While a costly form of settlement, the adversarial system does offer certain advantages. Injured people who are able to prove someone else's fault can receive formal recognition and customized recovery for their losses."

I feel that increasing access to tort in Bill 164 is a costly form of settlement and should be reserved for the more traumatic injuries and for those cases not excluded economic loss.

To quote once again from the government document *The Road Ahead*: "There is an urgent need to try to prevent road accidents from happening in the first place and to reduce their severity when they do occur. If this is achieved, tragedy and suffering, health care and insurance claims costs will be reduced."

Clearly, road safety is an issue here in Ontario. Some shocking statistics indicate that two thirds of the people killed in vehicles were not wearing seatbelts and only 79% of Ontario drivers and passengers use seatbelts. Studies prove that 85% of all road accidents can be traced to human error. This is especially true for young or new drivers, who are significantly overrepresented in all traffic accidents. Alcohol is involved in over 40% of all driver fatalities. Half of all drunk driving convictions involve repeat offenders. The number of accidents has risen by over 25% in the past 10 years.

The number of people killed or injured in accidents in Ontario has increased over the past 10 years by 18%. New Zealand, since implementing graduated licensing, has reduced the number of accidents involving fatalities of young drivers by 25% and injury by 40%.

The Road Ahead: Ontario's Strategy for Automobile Insurance Reform emphasized the need for safer roads as important in reducing the social and monetary costs of accidents. I believe that the creation of the road safety agency and the implementation of graduated licensing should be the first priorities of this government.

One of the goals outlined in Bill 39 is to influence public opinion and convince motorists that it is just not acceptable today to have careless and dangerous driving habits. The insurance industry has long been involved in educating the public on driver safety, and the drinking and driving campaigns certainly have changed attitudes and the actions of the majority of people.

I understand that formation of the road safety agency has been delayed and has in fact not received second reading. This concerns me, since the real cause of the cost of auto premiums is the number of accidents. Addressing road safety and implementing graduated licensing instead of moving ahead with Bill 164 is the real way to address insurance costs and, more importantly, to save lives.

Nova Scotia has just implemented graduated licensing, and British Columbia has just announced plans to proceed.

A further quote from *The Road Ahead*: "Safety and the associated cost savings should come first, not last."

The purpose of Bill 164, as stated by government, is to achieve reasonable and fair compensation for victims. The concepts of "fair" and "reasonable" must also be applied to the cost of insurance. Insurance premiums are based on the cost of claims, which is the product of the benefits payable under the policy and the frequency and severity of claims. When improvements are made to benefits, the average cost per claim increases.

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During this recessionary period, consumers cannot afford any increase in their insurance premiums and will be dissatisfied with a government that implements legislation that will increase the cost of insurance. Only higher income earners benefit from the higher weekly maximum, and groups such as seniors will be disadvantaged by Bill 164.

Also, it is my feeling that the current system under OMPP of offering the higher coverage as an additional endorsement is fairest to the majority of car drivers in Ontario. Since many seniors are not employed and live on fixed incomes, they will not benefit from higher weekly

accident benefits, yet they will be forced to pay the additional costs associated with those benefits.

However, many clients choose not to purchase the enhanced benefits as they feel an automobile accident is only one source of potential injury and have purchased other products which give them broader scope of coverage and peace of mind.

Also, the regulations accompanying the legislation are extremely complex and not easily understood by consumers or even insurance personnel. Ontario motorists are just starting to become familiar with the current system, and further changes will only serve to confuse them and not be in their best interests.

In conclusion, I would like to state that the current OMPP strikes a balance between affordable premiums and adequate financial protection. The proposed reforms interject another layer of uncertainty for both the industry and consumers.

Graduated licensing and Bill 39, which relate to the goals of improving road safety and saving lives, should be initiated now to companion the reforms of the finalized Bill 164.

There is no public demand for the sweeping changes proposed by Bill 164, and clients in general express confusion as to why so much time and money has been spent on reviewing the subject of automobile insurance over the last six years when the priority should be concentrated on getting the Ontario economy moving again.

I am also concerned about the sweeping powers granted under Bill 164 to the cabinet to change regulations—especially class and rating methods—through an order in council without requiring legislation to be introduced in the House or any public consultation or discussion.

Thank you for your attention and consideration during my presentation.

The Chair: Thank you. Mr Mancini first.

Mr Mancini: I thank you for your brief. You've certainly touched on all of the points that have been raised in this committee since the first day of our public hearings. You've talked about the complexity and I've called this 68-page document, which even long-time litigation lawyers have told this committee through their deputations that they can't understand, a consumer's nightmare. Would you agree this document is unfriendly to consumers?

Ms Scullion: Yes, I would.

Mr Mancini: Would you agree with me that under the new regime the NDP government has introduced, while all policyholders will be asked to pay more in premiums, people at the lower end of the earning scale will in fact be subsidizing people at the higher end of the earnings scale because of the new weekly benefits regime?

Ms Scullion: I do, and it was a point in my brief.

Mr Mancini: Do you think it's fair that low-income earners should subsidize high-income earners for a basic commodity such as automobile insurance?

Ms Scullion: No, I don't, because I don't think if I'm driving a Volkswagen I should pay the premium for a Cadillac.

Mr Mancini: Your brief also indicated that you believed in having the right to sue for economic loss. The NDP members and the government are taking that right away from you and substituting for that right, the right to sue for pain and suffering, a \$15,000 deductible. Do you think that's a fair tradeoff?

Ms Scullion: I think it would be very unworkable. It would become—

Mr Mancini: Thank you. I have been saying before this committee, in the Legislature and other places that the opposition members have been more than willing to assist the government in passing its road safety legislation, which it introduced quite some time ago and has left sitting on a desk collecting dust. Maybe when the government members get their turn to ask you some questions, you might want to ask them why they've not proceeded with the road safety legislation, because there's certainly not going to be any opposition in regard to enhancing, educating and training people on how to be better drivers, which will cause fewer accidents and lower the cost of insurance, or at least not increase the cost of insurance. That might be something you might want to ask them directly.

I've stated before, earlier today, that people in the Ottawa region are going to be socked with higher automobile insurance because of Bill 164, no matter whose statistics you believe. If you accept the government's statistics—its New York consulting firm's—they'll tell you that rates are going to go up almost 5%. If you look at Coopers and Lybrand, if you look at Wyatt, they'll tell you that rates are going to go up anywhere from 13% to 20%. The Coopers and Lybrand study says that people in Ottawa will have premiums increased by \$150. Do you think they're really receiving \$150 worth of new benefits?

Ms Scullion: I don't think the benefits at this time are worth \$150 out of our consumers' pockets.

Mr Mancini: We've heard from many individuals, groups and organizations, the vast majority of which have spoken against this legislation and have made many comments and suggestions, like yourself, such as review the OMPP and work with the industry and all the stakeholders to see if modest, affordable improvements can be made. Do you think that's the route the government should go?

Ms Scullion: Yes, I do.

Mr Mancini: We have yet to find any substantial numbers of groups or individuals endorsing the government's proposal. The lawyers are against it. The automobile insurance industry is against it. The brokers are against it. Senior citizens are against it. Women are against it. Farmers are not for it. The Toronto taxicab association came before us; it's against it. Who do you think the NDP is appealing to with this legislation?

Ms Scullion: I'm not sure.

Mr Mancini: Thank you for your help.

Mr Tilson: The NDP, during Bill 68, was a great advocate of returning to full tort and opposed the OMPP. They opposed specifically these words: "in a threshold test," "serious" and "permanent." They opposed those words.

Someone over there came up with the bright idea of a \$15,000 deductible. They did away with economic loss, and that is one of the most valuable assets the innocent accident victim has. They've done away with that. You don't have any rights. I don't care, you can have all the benefits in the world but that is a very valuable asset. That's the main part of a lawsuit and that's gone. That's the major claim. A person who is permanently injured for life loses that.

My point is that I'd like you to comment in your own words as to what you think about the deductible, because it's most strange. If you sustained pain-and-suffering damages in an amount that equals \$15,000 or more, then you can go to the courts, you can sue. You can't sue for economic loss but you can sue for all the other things. If you recover \$15,000 you get nothing; if you recover \$20,000 you get \$5,000 and so on. It's really quite silly.

My theme, which the Progressive Conservative Party has been putting forward in all these hearings, is, what has ever happened to the protection of the innocent accident victim, the wonderful person these people are suppose to be defending? From the insurance industry—I know we've all got our own little areas that we try and cover. Insurance, legal, brokers, rehabilitation people, we've all got our areas of expertise, but that's the one common theme. Can you tell me in your own words what you think of this deductible test?

Ms Scullion: I think that a good percentage—I believe it's 85% of all pain and suffering—would be under \$15,000, so basically there would be no more people benefiting from the system than are currently under the OMPP. Why go for a routine that definitely does penalize directly the injured parties?

1520

Mr Harnick: You would agree that somebody who suffers a serious injury and is innocent should be able to claim for his or her pain and suffering and loss of enjoyment of life if the injury is serious?

Ms Scullion: Definitely, if the injury is serious and has lasting effects, I believe they should have full rights.

Mr Harnick: What if it's serious and causes pain and suffering for a couple of years, but the person recovers to a large degree? Would that change your impression?

Ms Scullion: It's more difficult to gauge, because pain is such a personal thing. What might put someone into bed for a long period of time, another person might be able to keep going with. I think certainly for those cases, there would have to be determination by experts as to whether there is some deserving of benefits.

Mr Harnick: If there's a serious component to it, though, you would not disagree that a person should be able to receive compensation?

Ms Scullion: Right.

Mr Harnick: You're aware that this legislation, in the eventuality of a fatality, would pay a person a fraction of what the OMPP or the previous scheme paid?

Ms Scullion: Yes.

Mr Harnick: What do you have to say about that and what are you going to tell your customers if, God forbid, somebody should come in and say: "My 35-year-old spouse died. He's left me and two kids. They're telling me that even though he used to make \$40,000 a year, all I'm going to have to live on for the rest of my life and until my kids, who are seven and nine years old, become independent, is somewhere between \$115,000 and \$120,000"? What are you going to tell that person?

Ms Scullion: Hopefully, I won't have to tell them anything, because hopefully Bill 164 won't go through.

Mr Tilson: Hear, hear.

[Applause]

The Chair: Mr Klopp.

Mr Harnick: You'd think we rehearsed that, wouldn't you? I've never seen you before in my life.

Mr Klopp: Oh, I thought they were clapping for me. Sorry.

Mr Harnick: Don't worry, Mr Klopp.

Mr Klopp: Thank you for coming today. It's interesting—I've been on this committee for a while now and been involved in this whole issue of insurance for a long time. I've heard the word brought up today that farmers aren't for this. I just have to wonder; under the OMPP, I just hoped and prayed I never got into an accident on my farm. At least under the old tort system, although I couldn't afford to get a good lawyer or even a poor lawyer if I would have got hurt on my farm—under the OMPP system, I definitely couldn't have got any money. Under this system, I'm at least allowed to get my neighbour hired to do my farm work now, because really what I need on my farm is cash flow. It's just interesting that all of a sudden farmers aren't for this. I remember the old bill.

But it's interesting that just in the last moment, Mr Harnick brought up an example, and you apparently answered something to the effect "if this bill goes through." Am I to understand that every client you have right now who is under the unfortunate situation that Mr Harnick is talking about, which is very unfortunate, is able to get \$120,000 or \$130,000 or those kinds of dollars, every one of those clients?

Mr Harnick: Try \$500,000, \$600,000, \$700,000.

Ms Scullion: I don't keep track of statistics on fatalities.

Mr Klopp: It's not a statistic; it's either 100% or it's—you can tell that dear, unfortunate woman or her husband or whoever that they're going to get their—

Ms Scullion: The death benefits are prescribed depending on the number of dependants who were left behind. We have a multiplication factor. In the case I referred to in my brief, a woman was widowed with eight children. I'm told that \$230,000 in death benefits was delivered within three weeks.

Mr Klopp: So every one of your clients, then, has been able to get a—

Ms Scullion: They haven't all died.

Mr Klopp: No, but it's just that a minute ago we had another person in front of us—and that's interesting. I

mean, that's how it goes in this; everybody has their own version. They commented that the old tort system was a lottery and a lot of their clients took years to get benefits and some didn't, except your clients all do, and that's fine. I just wanted to know.

Interjections.

Ms Scullion: I have a client, for example, who's a trucker—

Interjections.

The Chair: Order. See that booth back there? Those are for people when they get a little bit older and talk out loud and they don't know they're talking, so we can always put you in there for a period of time.

Mr Harnick: I hope you haven't insulted the people who are here translating. I think you should apologize.

The Chair: I'll apologize to them.

Ms Scullion: I have a client, for example, who sort of parallels your comment, David. He was getting into his truck, he fell off and he broke his leg. He wasn't able to work for a period of time and had to hire someone to drive for him. He had a disability policy, but he also collected between \$5,000 and \$6,000 under his OMPP auto policy, and he wasn't even driving at the time. The vehicle was parked in his backyard.

Mr Klopp: And I believe under this program, if he's under disability benefits he's also going to automatically receive benefits when he slips, without having to—

Ms Scullion: Sure, but in the previous pure tort system he wouldn't have received anything.

Mr Klopp: Yes. You brought up about our economic woes, and unfortunately, when people do have accidents, even if they are taken out of the workforce, it costs us money. We have lots of statistics over the years. I've listened to them and I thought they were just really weird, but as I got older, and now in politics and inside in here and a little closer to the system, I understand what they mean.

Would you not agree that under the new system, under Bill 164, if someone has the misfortune to be in an accident, the new schedule of benefits—example, a supplementary medical on rehabilitation, getting them upfront money right away so they can get rehabilitated very quickly to get back in the workforce—is that not a good thing for our economy in Ontario?

Ms Scullion: Rehabilitation is always a good thing. Preventing the loss from happening in the first place is even better.

Mr Klopp: You need both, for sure.

Ms Scullion: You need both.

The Chair: Thank you for coming before the committee today.

KIRBY AND MASSON INSURANCE LTD

The Chair: The next group is Kirby and Masson Insurance Ltd. Would you come forward, please? I'd like to welcome you to the standing committee on finance and economic affairs on Bill 164. We have one half-hour, and in that period of time if you can leave some time at the end for questions. I was reading your brief. It's short. It looks

like the members are going to get quite a bit of time for questions of you. Please identify yourself and you may begin.

Mr J. Scott Kirby: My name is Scott Kirby. I'm an insurance broker and I'm a partner in a small family insurance office called Kirby and Masson Insurance Ltd here in Ottawa.

In our office we deal directly with the driving Ontario consumer. This consumer is my client. We talk to the consumer every day of the week, even on weekends, holidays, and then they even call me in the wee hours of the morning. I attempt to match the consumer's request for insurance protection with the best possible coverage, at the most competitive price available from the insurance companies with whom I have secured the contractual right to sell their products.

I am concerned that the proposed enhancements of the accident benefits as outlined in Bill 164 and the suggested expansion of the right to sue and the increased no-fault benefits will cause insurance premiums to rise. Whether the increase in premiums which will result from the proposed enhancements is only 4% to 4.5%, as suggested by Mr Charlton, the economic reality of the 1990s is that this increase is too much. Of course, Mr Charlton has acknowledged that his estimate is really just a guesstimate. In fairness, who really knows for sure exactly how much rates will go up, but there is no doubt that insurance rates will increase.

It really is very simple to explain why this will occur. If benefits are expanded and the frequency and severity of accidents are not reduced, then claim payments will increase. In order to pay the claims, the insurance companies will be forced to charge more premium, even to the good, safe and accident-free drivers.

1530

I know of several insurance companies who were allowed the right by the Ontario Insurance Commission to reduce their rates in early 1992 but now have been authorized by the Ontario Insurance Commission to apply premium increases. These rate increases are based on the current legislated benefits. If benefits are increased and the right to sue is expanded, please, pray tell, where will the money come from to pay the cost of the claim? The answer, ladies and gentlemen, is that the money will come from you and me and the Ontario driving consumer.

Our government should be more concerned with the practical and immediate implementation of life-saving road safety legislation. There is far more benefit to have graduated licensing for newly licensed drivers, regardless of age, than once again reinventing car insurance benefits in Ontario. This government should first concern itself with reducing accident frequency and severity before suggesting richer benefits.

Presently, the licensing system in Ontario is only concerned with requalification when a person is old or a person has excessive traffic violations. At the least, graduated licensing must be put in force in conjunction—that is, simultaneously—with Bill 164 as a mechanism to reduce the premium increases for which Bill 164 will be the driving

force. The impact will be felt where consumers can least afford it—their wallets.

The introduction of the withdrawal provisions will hopefully not cause insurance companies to leave Ontario nor dissuade other insurers from entering the Ontario marketplace. There is no question that several years ago, prior to OMPP, there were a few insurance companies who were uncooperative with brokers and other insurers, to the detriment of the consumer. Fortunately, the present car insurance plan, the Ontario motorist protection plan, in conjunction with the Ontario Insurance Commission and now, as of January 1, 1993, the risk-sharing pool, has significantly improved the delivery of car insurance protection and benefits to the Ontario consumer.

A uniform classification system will result in higher premiums for the average driver above age 25, and it will remove specialty rating categories for individuals who qualify as senior citizens. Rather than simply lump all drivers under one uniform classification system, a suggestion might be to develop a classification system which includes new drivers and drivers under age 25, where age stipulates the specific classification pool; however, sex and marital status are not used as rating criteria. It is curious that age-banded classifications are accepted rating criteria for life insurance companies but are frowned upon by some politicians when applied to car insurance driver classifications.

In closing, I feel that Bill 164 will be expensive for the Ontario driving consumer. The fact is that implementing Bill 164 without real, meaningful road safety legislation means that there will never be a reduction in the cost of car insurance claims paid in Ontario. Legislation which implements practical risk control techniques to reduce car accidents will help achieve cost control. Enhanced benefits and expanded rights to sue under a car insurance policy will simply increase the amount of claims, which will result in an increase in the premiums which the Ontario consumer will be required to pay.

Kirby and Masson Insurance Ltd dates back to 1859. As insurance brokers, we accept being in the line of fire for questions from our customers. Without a doubt they will want to know what has been done on their behalf to protect them against increased premiums, and I will tell them that I said to the government, "No to Bill 164; yes to road safety."

Thank you for the opportunity of presenting this brief. I hope I have provided a down-to-earth view of the concerns of the average car insurance consumer.

The Chair: Thank you very much for your presentation, sir. First we're going to go to Mr Tilson.

Mr Tilson: I hope the government will listen to your warning because, certainly, we in the opposition have been giving similar warnings since these hearings began, in fact, since the bill was first introduced, as has the insurance industry, as have the legal people, as has every other group or interested group or, to use their word, "stakeholder" in this province. So I thank you for coming and giving your thoughts and, yes, you can say that you've told the government, "You were warned."

The interesting thing you have said is that your fear is that rates are going to go up because of these unbelievable benefit packages that are going to cost more, and other bureaucracy, I suppose—the minister has said, "Don't worry; rates aren't going to go up." He's modified that a little bit now that his own consultant has come forward and said that rates are going to go up but, basically, it's still, "Rates aren't going to go up because of Bill 164." Do you believe him?

Mr Kirby: If no political pressure is applied to the Ontario Insurance Commission, then, no, I don't believe him.

Mr Tilson: The difficulty of course is that the Ontario Insurance Commission can be appointed by the government. They can put their own people in there. That's another way of keeping rates down. They put their own people in there and give those people directions, "You keep the rates down." Wouldn't that be a cute thing to do?

Mr Kirby: It looks like the system's been developed for that purpose.

Mr Tilson: Kind of scary, isn't it? I don't know what knowledge you have of the income replacement formula that Mr Charlton has talked about. That has to do with lost earnings, and he has increased the maximum no-fault benefit from \$600 to \$1000 a week. He says this is the income-replacement formula and he boasts about this.

The difficulty is that the word is "earner," because that's how he thinks. He thinks in the words "worker," "earner." But there are other people. There are the highly qualified people who are between jobs. There are, particularly, the women who have left the workforce temporarily to go back and raise a family. There are the self-employed, the people who pour money back into their business. They don't take wages; they keep the capital going into their business to build it up. There are the children.

What are you going to tell your clients, all those people? Because you'll have a whole slew of those people. What are you going to tell them?

Mr Kirby: I'd just like to touch on the \$1000 limit, from \$600. Whether I am a fortunate individual or not remains to be seen, but I happen to have purchased increased loss-of-income coverage under my current car insurance policy from the \$600 limit up to a \$1,050 benefit. I pay over \$225 more for that benefit alone. I have increased my wife to the first level, and I also have put primary care giver coverage on to our policies because we are a two-job family. Now if, as proposed in the legislation, this benefit's going to be included automatically, I'm comparing it to what I am paying now, which is an option for me to choose from. I would say that 96% or 97% of all my clients in my office with car insurance policies have chosen not to purchase the increased optional income benefit. If it is automatically included, the money to balance the actuarial tables that I'm sure the insurance companies use and must submit to the OIC has to come from somewhere. All of a sudden people will be forced to pay more insurance premium than they are paying now for benefits which they have already chosen under OMPP not to purchase.

Mr Tilson: But you're talking about the people who qualify for that. There's a whole group of people who don't even qualify.

Mr Kormos: The vast majority.

Mr Tilson: Yes. As Mr Kormos has indicated, the vast majority. You can name group after group that doesn't even fit into that category.

Mr Kirby: That's right. Under the current system, students and seniors are entitled to reimbursement of up to \$185 per week, and they don't have to be "earners."

But I'm a little concerned about what the new legislation will be. To tell you the truth, I went through that legislation. I have a business to run and, to tell you the truth, it would have taken me days and days on end without any interruptions, as an individual, to come to a clear understanding of it, because I have to compare it to the current system. I'm not a lawyer; I'm not an adjuster, so that requires a great deal more study, as a broker, on my part. I have to know how I'm going to interpret it to present it to my clients.

Mr Tilson: Don't feel badly. There are lawyers—I'm sorry, sir.

1540

Mr Kirby: Perhaps I'm a simple individual and I'm just a broker, but the fact is that you cannot expand benefits, expand the right to sue, have no controls on improvements on Ontario's roads and expect rates to stay the same. It doesn't work. We all know it in our families, when we're doing our budgeting; if you haven't got the money, you don't spend it.

The Chair: Two minutes, Mr Tilson.

Mr Tilson: That's a common theme, that people don't seem to understand these regulations, lawyers, accountants. Insurance companies have hired people to tell them what the heck they mean, and they don't know, so don't feel badly. I don't mind saying that I have no idea what in the heck they mean, and I'll bet you this group over here doesn't know what they mean. I'm not embarrassed to say that.

But when you look at all of that uncertainty, when you look at the uncertainty of this so-called threshold test, this deductible test, this new test they have, let's face it, the tort system took years and years to develop what was to be meant in dollars and cents in that system.

The OMPP is going through a process now. There are at least two cases that are mentioned constantly in these hearings. One goes to one extreme, the other may or may not go to the other extreme, and since they're probably both under appeal, I don't think it's proper for me to say one way or the other. But the fact of the matter is that this test, the OMPP test, is going through a test, a flux.

There's no question, beyond a shadow of a doubt, that the deductible test—for example, will courts award more just to make people qualify? Will they be more generous in the pain and suffering, since economic loss has been taken away? I don't want to get into too many legal jargon phrases, because I'm not so sure I understand them, but all those things. If the trilogy test was taken away, if the cap

was taken away, there are all kinds of predictions. Is it possible that the 20% estimate of increase in rates is too low with all these uncertainties?

Mr Kirby: I have no idea. To tell you the truth, I really don't know. The cost, when you change a system around, even with OMPP—we've had it just over two and a half years, and even now statistics are barely sufficient to keep rolling. To get a good handle on it, you need to have a number of significant years, three to five years of solid, regular working of a plan to know what you're doing.

Lloyds of London has unlimited liability. They run on a three-year plan. They don't know what their liabilities are for 1992 and they won't know until 1995. So how can the government of Ontario expect to have unlimited benefits and expect the private insurance companies to be able to predict what premiums they're going to need and provide the stability which the Ontario consumer expects and deserves?

Mrs Mathysen: Thank you for your brief. I have a couple of questions. I'll try to make time for other members of my caucus.

The first is in regard to a statement on page 3. You say in the second paragraph, close to the end of the page, "Rather than simply lump all drivers under one uniform classification system, a suggestion might be to develop a classification system which includes new drivers and drivers under age 25, where age stipulates the specific classification pool." And I wonder, why age? Why not driving experience? You could have a 17-year-old with one year's driving experience; you could have a 19-year-old with one year's driving experience.

Mr Kirby: The reason for that is that presently in Ontario, drivers who are age 25 and over—let me just exclude seniors, people who qualify for specialty discounts that some insurance companies have, because not all companies provide those specialty discounts, other than putting them into that classification—are classified based on the type of car they drive, their years of experience, whether they've been accident-free, the use of the car. Rather than just lump everybody all in at once, because those drivers over age 25 will be adversely affected, they will be compensating for the young drivers whose rates will go down as a result of melding into one classification.

All I'm saying is that in the current system over 25 age is used but it's used as an overall pool. It doesn't matter if you're 45, 32 or 52, your classification is based on use of the vehicle, type of vehicle and your driving record. Why can't they have a second classification pool between the ages of 16 and 25, so that the age category is, are you between the ages of 16 and 25, yes or no? If you are, what do you use your vehicle for? You may end up with two different ratings for the same use of the car, but it will be a step towards uniform classification. There's no question that uniform classification has been an instruction from the Supreme Court of Canada and that it has to be developed. All I'm saying is that there are different ways to do it than lumping everybody into one category.

The Chair: Mr Winninger. Oh, did you have another question?

Mrs Mathysen: I have another question. I draw your attention, I'm not sure to which page of your brief, but you do say that our government should be more concerned with the practical and immediate implementation of lifesaving road safety legislation. I come from the Ministry of the Environment and we do believe in prevention. It's far more intelligent.

I presume that with an implementation of safety practices, ultimately not only would it save carnage on the roads, but it would save insurance companies a significant amount of money. I wondered, has the industry pledged any money to this road safety program, and if so, how much?

Mr Kirby: I don't know if the industry has or has not pledged money—I'm a private insurance broker—but I have heard numerous advertisements on, I think, the radio and maybe the TV—I'm not sure; probably not TV, it's too expensive—about the Insurance Bureau of Canada and I think the Insurance Brokers Association of Ontario touting or asking for graduated licensing.

Mrs Mathysen: Are they sponsoring education courses? Are they putting some money into what they're asking the government to do?

Mr Kirby: I'm sorry, I don't know that.

Mrs Mathysen: That would be interesting to find out.

Mr Winninger: As you know, sir, there are many improvements included in Bill 164 that don't presently exist in OMPP; for example, indexation, increasing weekly benefits to cover 97% of full-time income earners as opposed to 73% under OMPP, a lower threshold for suits for pain and suffering, removal of the rehabilitation caps, a better rating system and extending injury to include psychological and mental injury as well.

We've had many groups that have come forward and expressed approval for these changes, such as the Advocacy Resource Centre for the Handicapped, the Consumers' Association of Canada, the Canadian Independent Adjusters' Association, the Ontario Chiropractic Association, the brokers, the Coalition of Motorcycle Organizations. These groups have suggested that they're quite pleased with the improvements we've introduced under Bill 164. You, sir, keep dwelling on the cost. I believe you're aware that Minister Charlton has indicated that it's his intent to contain premium increases.

Mr Mancini: On a point of order, Mr Chairman: All of those groups that Mr Winninger has named did not holus-bolus endorse Bill 164. That's a bunch of poppycock.

The Chair: I'm sorry. You're next, Mr Mancini. You can set the record straight on your beliefs.

Mr Winninger: The members heard the same evidence I have, and in fact I'm glad that some of the members opposite me are back now because this morning they were chastising government members, myself included, for going out and making a phone call. I see that the opposition members are not above that, so they can earn their salaries the same way we are.

The Chair: Excuse me, Mr Winninger, carry on. The witness is there.

Mr Winninger: Perhaps he could give an answer to the question without undue interruptions from members who flip back and forth.

Mr Mancini: Give him an accurate answer to the inaccurate question.

Mr Kirby: Excuse me, ladies and gentlemen. Thank you. First off, I want to go on the record. I think the benefits are wonderful. I absolutely do. I think they're just great. But we don't live in a perfect world and in all fairness everybody in this room knows that there are hundreds of thousands of people out of work, and there are just as many who are on the brink of bankruptcy, who cannot afford increased premiums. If this Bill 164 is put through without working towards helping insurance companies and the consumer avoid and reduce accident frequency, you will ultimately end up with rates going up.

1550

Mr Winninger: Are you prepared to take steps in your industry to make your operations leaner the same way all other sectors are trying to make their operations leaner, to ensure that you can deliver a better benefits package to the consumer at a reasonable premium?

Mr Kirby: How many more people would you like on unemployment insurance?

Mr Mancini: Just for the benefit of our witness, four or five organizations appeared before our committee that Mr Winninger tried to indicate to you endorsed Bill 164 holus-bolus. He tried to leave that impression with you. Just a couple of them, I noted the chiropractors, under questioning from myself, were unable and refused to make any comments regarding the cost of Bill 164, what it would do to seniors and women and the whole affordability aspect. They had nothing to say about road safety. The only thing they said to the committee was they appreciated the opportunity to be part of the medical establishment that would be treating accident victims.

The Ontario motorcycle association told the committee flat out that 5% to 6% of its members now do not carry automobile insurance because of cost and they told the committee that they believed 9% to 12% would not carry motorcycle insurance if Bill 164 was passed. That was the testimony before the committee, so don't for a moment believe all these groups came before us to support Bill 164. You know, we have been in a struggle to try to find out, Mr Kirby, who in fact is in favour of Bill 164. Do you know who Mel Swart is?

Mr Kirby: Yes.

Mr Mancini: The former NDP member for Welland-Thorold. Mel Swart put it better than anyone else I've heard before the committee or on the committee. He came before us at our early sessions and said the following, "Bill 164 is before the Legislature only because, after the NDP leader and members had made so much fuss in opposition, they couldn't be seen to do nothing now."

Mel Swart said the only reason we have Bill 164 is not because of some concern with automobile insurance rates, but that people are concerned about and don't want to pay more; seniors don't want to pay more; taxi drivers don't

want to pay more; women can't pay more; people on welfare can't pay more; people who've just lost their jobs can't pay more—just some ideological reason, some political reason.

I'm willing to sit down with the government, Mr Kirby, as I heard you say you're willing to sit down, and see if OMPP can be improved. Modest improvements at modest costs, that's what the people are looking for. They can't reach in their pockets any more, there's nothing there. We've had four years of recession; we've had record unemployment; we've had record disinvestment; we've had record plant closures; we've had record deficits in our province. With all these huge economic problems facing our province, do you not agree with me that maybe the government should be turning its attention to something more productive?

Mr Kirby: I would hope so, in light of the fact that we've all got a big debt to pay off. But I don't have a lot more money to pay for car insurance.

Mr Mancini: Thank you. I'd like to give the rest of my time to Mr Peter Kormos.

The Chair: Mr Kormos.

Mr Kormos: Thank you. How much time do I have, Chair?

The Chair: Four minutes.

Mr Kormos: Thank you kindly.

Mr Kirby: Will you give me one minute to reply?

Mr Kormos: You may not have to. Listen, we find ourselves in a most peculiar circumstance.

Interjection: Strange bedfellows.

Mr Kormos: Because here I am. I earned a couple of purple hearts, I think, in the last insurance war. We were arguing about Bill 68. New Democrats and a whole lot of other people were angry about the threshold, about the restriction on the right to compensation.

But I admit and I concede that at least there was an ideology there; not one that I agreed with, but clearly there was a constituency that was being served. There was an element in the community, the industry specifically, that said, "Look, we're requesting a threshold and this is why." It's consistent with what they said in front of Mr Justice Coulter Osborne, for instance. Mind you, the threshold at Osborne was a little bit more generous than the one the government gave him, but so be it.

I, of course, alleged freely and frequently and vociferously that the last government, by God, was in bed with the industry, must have been. Now I find out that perhaps it's a king-sized bed and maybe what we're witnessing here is one of those—and the lawyers can tell me whether or not these things are illegal any more—but one of these *ménages à trois*. In any event, New Democrats promised that if they were elected and, by God, they were—and I know that not everybody here voted for New Democrats; I just get that feeling.

But I suspect that even those people who didn't vote for New Democrats thought: "Maybe they are a little bit different. Maybe we can count on them to keep their word the way we couldn't count on the two older parties, because New Democrats promised that they'd fight to help innocent

accident victims, to give them at least a little bit back of what was taken away from them by Bill 68, and that they'd help drivers, that the last thing they'd want to do is leave a legacy of higher premiums."

Well, who'd 'a thunk? Here we are. We've got a piece of legislation, the legacy that this government is going to leave Ontarians is going to be higher premiums for drivers, reduced benefits for the vast majority of victims. How dare I say that when the government, its little spindoctors, its little communications people, scurry around here whispering in people's ears prior to interviews, saying, "Tell them about the 90% wage replacement"—90%, they borrowed that from workers' comp. By the way, if you like workers' comp, you'll love Bill 164—90% of net; that's in the fine print, as compared to 80% of gross.

Let me tell you, you know as well as I do. Take a pen or pencil out. Ninety per cent of net is inevitably going to be less than 80% of gross. They're taking money away from the people who looked to this party historically to protect them, the little people. Oh, sure, they increased the cap to \$1,000. What have you got to make, around \$1,700 a week, before you can take advantage of the \$1,000 cap? Ninety per cent of net—you're talking about people who make around \$1,700 a week, and who's paying for it? The little people, the people making \$600, \$700, \$800 a week.

You know, I'm in a position where I've got to tell you this. If I have to make a choice, and I do, do I prefer Bill 68 or Bill 164? Lord knows I'm as strong a critic and remain as strong a critic of Bill 68 as anybody could ever be, but I tell you that if I were going to suffer as a victim in Ontario, I'd be better treated as a victim under the Bill 68 regime than I would be under Bill 164.

It strikes me as strange that New Democrats are turning their backs on the people who looked to them the most. A sad, sad day, friend. Go ahead.

Mr Kirby: Thank you. One of the things I just want to mention is that they mentioned the \$15,000 deductible in pain and suffering suits. My understanding, and I'm sure the gentleman after me will be able to correct me if I'm wrong, is that the Supreme Court roughly calculates pain and suffering at a maximum of about \$250,000.

Mr Kormos: Mr Tilson can tell you that.

Mr Kirby: We're not talking about \$15,000 deductible here. We're talking about possibly, eventually, that \$250,000 getting pushed up because you no longer have the right to recover economic loss.

Mr Kormos: Likely those judges have got short arms and deep pockets too.

1600

Mr Kirby: The other thing is that I spoke with a gentleman this morning, and I'm sure he was a lawyer. I couldn't get over the fact that at least twice, if not three times, this particular lawyer indicated the consumer's right to revenge. Well, there's an inherent risk in getting into a car. There's an inherent risk in driving that car on the road. That is accepted by the mere fact of people buying and owning vehicles. We need car insurance as a buffer, but it's not a social net.

The Chair: I'd like to thank you for coming before this committee.

Interjection.

The Chair: You know, Mr Kormos, I would say that I know you're looking after those innocent victims, but I think you're looking after those innocent lawyers also that don't have the right to sue for victims.

Mr Kirby: Thank you very much.

Mr Kormos: I'll be looking after the innocent accident victims.

Mr Owens: Whose economic philosophy are you looking after?

Mr Mancini: Why did you promise it, if you don't like it today?

Mr Owens: We'll pull out yesterday's Hansard if you want to start throwing Liberal quotes around about what Mr Mancini was called in his own home town.

RONALD S. PETERSON

The Chair: Would Mr Peterson come forward, please. Welcome to the committee, Mr Peterson. We have 20 minutes. In that 20 minutes, if you can leave some time for questions. I know with this last gentleman, they each had eight minutes and they just enjoyed getting all those questions out. You may begin.

Mr Ronald S. Peterson: Thank you very much, ladies and gentlemen, for allowing me to speak to your committee with regard to the proposed changes to Bill 164. I propose to try to provide you with a perspective on behalf of some of the victims of motor vehicle accidents that I've dealt with.

I'm not an expert in the insurance field; I should point that out. I don't act for any special-interest group, not at all. I'm a civil litigation lawyer. I've been out for 10 years and I've done some motor vehicle work. It doesn't represent 50% or 60% or 70%. In fact I've checked my accounting records, and prior to Bill 68 coming through, it represented about 15% of my work. It now represents about 7% of my workload.

I can tell you, though, that for litigators, it hasn't affected the amount of work, so I'm not here to try to say that I've lost work or anything to that effect. I have plenty of other work. But I'm here to just give you some grass-roots experiences that I've had. There was a letter that I had written several years ago to Evelyn Gigantes when they were about getting rid of personal injury claims. I wanted to follow up on it and, fortunately, I've been asked to speak today.

I don't think there are actually too many lawyers who have been hurt by the loss of motor vehicle files, because most of those were litigators, and I think they've all been taken over. All the bankruptcies, unfortunately, have kept us plenty busy, so there's no lack of work for litigators in this part of the province. I guess some of the lawyers who acted for insurance companies may be hurting somewhat.

I did deal with people who suffered as a result of motor vehicle accidents. I followed their improvement and recovery until finally we reached a settlement. This was prior to the law. My practice was to speak to the people every month and listen to how much pain they had to live with through their period of recovery. In particular, they often described to me how it affected their lifestyle.

Whiplash has often been brought up as an example of a type of claim where it's suggested that the clients have exaggerated the pain and that it's not really worth it. It has been my experience that a whiplash injury dramatically changes a person's lifestyle. I've read many diaries of my clients who have talked about having headaches every day for one, two, three or four years, where the pain would be so bad that they would have to lie down at lunch-hour or at the end of the day; how they had difficulty studying at school; how they could not go shopping any more because they couldn't lift the grocery bags.

What would often seem to strike me was how parents had a real problem with whiplash in that they couldn't lift up their little kids. Again and again it seemed to do—yet the rule of thumb for whiplash was generally \$5,000 or \$6,000 per year. So mild whiplash, we'd be talking maybe two years; medium, three to four years. We're not talking a lot of money; we're talking \$10,000 to \$20,000. That's the type of numbers that we're talking about.

This was never worth the unbelievable loss of enjoyment of life by these people. Many of these clients became my friends and I've continued to be in touch with them for other matters, such as wills or perhaps purchasing of a house. Some others were my personal friends prior to the accident and continue to be my friends now. Every one of them, 100% of them have said to me that they would never take the injury again to take the settlement money that they obtained. The money, however, seemed to represent some type of retribution or some type of comfort or return of the loss of enjoyment of life over this period of recovery. It seemed to take the edge off psychologically to seek revenge against the people who did wrong against them.

I am sure you've been made aware of the quantum of damages and how in Ontario it's been our tradition that we don't receive the million-dollar type of claims that the Americans receive in their claims. The Supreme Court of Canada set out a limit, and I believe I heard Mr Kirby talking about the \$250,000. That's for a quadriplegic. That's not for, like I talk about, a whiplash or some other type of injury. It isn't the huge sums. There are those cases, but a large number of them dealt with loss of income and loss of future income. I think the present law somewhat covers that issue. We're only talking personal injuries, so we're not talking the multimillion-dollar claims. That dealt more with loss of income, and I think that's being covered somewhat.

I don't think that at any stage could anyone ever say that the damages compensated people for the loss they suffered in their life. Lawyers who handle these types of cases became aware of how it affected the individuals and their loss of enjoyment. I have spoken to many other lawyers over what's happened in the last few years since there's been a loss of the right to sue. In a very unscientific survey, litigation lawyers in the Ottawa area whom I've spoken to find that they generally have to advise someone at least once every three months that they have no right to sue for loss of enjoyment of life arising out of a motor vehicle accident.

I can tell you that it's a very painful thing to tell someone who recognizes that his life will be dramatically changed as a result of an accident for the next two or three years, or

perhaps permanently. Many of us have resorted to listening to the facts and then we take a copout: We write an opinion letter to them, because it's tough to tell somebody: "I'm sorry, you're not going to get anything. Your life is ruined for the next so many years and you're not going to get anything, except perhaps loss of income."

I have a couple of examples, just to give you an idea of how this may affect you on a personal basis. I had a gentleman come to my office who'd been involved in a car accident on Highway 17 in Plantagenet. He was coming around a corner, and a car came around and was trying to make a quick turn, didn't quite make it and hit my client head on.

His knees went into the dash and he broke his kneecaps, but they recovered. His face went through the windshield, and as a result of that, every bone was crushed from just above his forehead to his mouth. His cheekbones and all above here were totally crushed. Fortunately, he had a fantastic doctor and what they did is they came up underneath his lip and put in metal supports to support his face, above his eye, and also to support his eye. From the outside, it didn't look like he had had anything. He had three very serious operations, but he'd recovered that way, except that he had nine plates in his face.

He said to me: "If I go outside my face freezes, it's frozen solid. I live in Plantagenet, so I go snowmobiling. I go cross-country skiing, I go ice-fishing, I take my kids tobogganing. That's gone for ever. What do you mean, I have no right to sue? That's not fair. I want to do something. If I have to go take it out on this guy, who's just walking away getting charged with careless driving, that's not fair. Sure, I'm getting compensation, but actually I had a disability insurance policy, so it's not any great additional value. It's not taking away from my loss of enjoyment of life."

1610

Another situation is a case where a five-year-old little boy was hit by a bus. He wasn't hurt extremely badly; he broke his arm and he broke his leg, but that recovered. He has had nightmares for the past year. He's afraid to drive in a car. He won't take a bus. They had to move to be closer to the school. This little boy has suffered. Under the old law, he would have got something. The parents have to live with the nightmares and the screaming and the yelling; that's not being compensated for. That type of loss hurts, and people get mad about that.

We're not talking about the majority of people, and I know this is dealing with the majority of the people, but often I think in Canada some of the rights of the individual, the victim—and we're talking a very small minority. It's not going to win an election, there's no question about it, but these people are upset about it. As lawyers, we often have to hear these types of cases, and they're very difficult things to deal with.

The Chair: You have seven minutes left.

Mr Peterson: I have about one minute in summary. A lot of it is from memory; I just wanted to see if I had forgotten anything.

The last thing is sort of a philosophical view. Mr Kirby was mentioning it too when Mr Kirby and I were on CBC

this morning. I don't know if he understood what I was saying or maybe we didn't have quite enough time to explain it; it's often difficult on the radio. The basic concept in our common-law system is that if someone does something to hurt us, we should be compensated. If there's a breach of contract, we should be put back in our position as if the wrong is going to be righted. So we try by financial awards or whatever to be put back from where we were wronged.

We can sue doctors, lawyers, accountants, everybody for malpractice. If they make a mistake, they pay for it. The insurance of all these professionals is going up, and we think nothing is wrong in dealing with that. The basic concept we have is that if someone hurts someone else, then they should be compensated somehow. That's why we get insurance. That's what the whole insurance industry is set up for, basically risk. We take insurance to protect ourselves from that risk. If we make a mistake, we've got to pay.

This money allows a person to feel he's been compensated for a wrong, either by breach of contract or negligence or a tort, and it seems to me that there's an obvious frustration and anger at not being able to get this compensation. The losses have been suffered, and I think these people need some type of compensation. Thank you very much for listening to me.

The Chair: Mr Winninger, we have a total of five minutes for the three caucuses.

Mr Winninger: I certainly appreciated your presentation. You may have seen me nodding from time to time as vignettes of my own litigation practice came back to me. But I can also remember situations where accident victims would come in, and one in particular, where a man's wife came in. He was rendered quadriplegic in a single-car accident. There was no tortfeasor to sue. He had kids who had to be supported. He had long-term care needs. He's presently in a long-term care facility in London called Parkwood Hospital.

This gentleman had no benefits under the pre-OMPP tort system other than some very meagre no-fault benefits, \$140 because he could meet the employment criteria. If he hadn't been working, he would have got \$70 a week. The tort system did not serve him very well, and even the not-at-fault accident victims often had to wait years until they got a payoff at the end of the road. The litigation was time-consuming obviously; it was somewhat costly. There was a payoff at the end of the road, but in the meantime they had to endure great hardship and dislocation in their lives, because they didn't have the kind of income approximating the income that the wage earner was earning. They didn't have access to the kind of rehabilitation that they can get under this plan. The benefits certainly weren't indexed.

All I'm saying to you is there is a bit of a tradeoff there and the question is where the pendulum should finally land, because if you have access to full tort, you may not get good benefits.

The Chair: I'm sorry, Mr Winninger. I'm going to Mr Mulroney—Mahoney.

Mr Mahoney: You've given me three different names today. Would you get it straight?

Interjection: We're in Ottawa.

Mr Mahoney: It's not Mulroney, let me tell you that much.

Mr Harnick: He'll be calling you Prime Minister soon.

The Chair: Yes, Mr Prime Minister, go ahead.

Mr Mahoney: You're using my time here.

Somebody earlier asked the question, "Why has the government been spending six years"—successive governments—"dealing with auto insurance?" Many of you may recall—and you may recall, sir—the Brampton case of the young lad who was riding the bike and had a serious accident on city of Brampton property and was awarded \$7 million in grossed-up income over his lifetime, and care costs and everything. The family went through a very lengthy court battle. I think at the time \$7 million was considered the highest award ever for such an incident. It was subsequently appealed by the insurance company, and the long and the short of it is that this young victim got nothing at the end of the day.

Your cases are heart-wrenching, and I understand where you're coming from. What we're dealing with here is a government that is fooling around with an insurance system that by and large is working, with some exceptions and some situations perhaps, like the ones you talk about, falling through the cracks.

Rather than going back to the system that didn't work for the youngster from Brampton that started this whole kerfuffle on insurance, would you not think that we would be better finding a way for some redress by victims to go to court rather than just—

The Chair: Sorry, I've got to cut you off. I'm going to let you respond at the very end. I'm going to go to Mr Tilson or Mr Harnick.

Mr Mahoney: What's the hurry? The plane doesn't leave for a couple of hours. This is our last presenter. Let him answer the questions.

The Chair: He will, at the very end, all three.

Mr Mahoney: Let him go now.

The Chair: Mr Harnick.

Mr Harnick: What I think you're saying, sir, is—

The Chair: Wait a minute, Mr Harnick. Your mike's not on there yet. Okay. I wouldn't want to miss anything here, Mr Harnick.

Mr Harnick: I'm sure.

Everybody gets the impression that what you're saying is that we should go back to the pre-OMPP days and have a pure tort system. I don't think you're saying that at all. What I think you're saying, and everybody is trying to manipulate around it, is that there's nothing wrong with the enhanced accident benefits and the OMPP, but we still have to treat innocent victims a little differently.

In other words, why can't innocent victims claim for their actual losses? We're not taking anything away from everybody else who gets the basic benefits, but if you're innocent you should be able to claim certainly for your economic loss, certainly for your pain and suffering and

certainly with some kind of a threshold so that the insurers can make a decent return on their dollars. Am I wrong in that interpretation?

The Chair: Mr Peterson, if you can just sort of sum up the three questions or statements you heard from the three caucuses.

Mr Mahoney: Do mine first. Take your time.

Mr Tilson: The trick is to remember the first question.

Mr Peterson: Actually I don't think there was a question from Mr Winner. I think it was just a commentary.

I'm just dealing with personal injury, and I think, Mr Harnick, you set it out quite accurately, that we're only dealing with innocent victims, the right for some additional compensation.

Mr Kormos: Fair compensation.

The Chair: Mr Kormos, let the gentleman answer.

Mr Kormos: I'm letting him answer. I'm responding.

Mr Peterson: "Fair" is very subjective, Mr Kormos, and I'm not going to get into what is fair compensation for that. That's for the politicians to decide. If we can agree that there should be compensation for innocent victims, then what type of compensation and what type of alternative dispute resolution, or how much, or fixed amounts or something like that?

I'm not sure, but I just think that innocent victims should be entitled to some type of compensation. I am not suggesting that we go back to the old system. I think the system that's in place has dramatic improvements. I have cases where it's really, really helpful to people who are receiving some type of funding.

The Brampton case, just to clear that up, that boy didn't get those types of numbers for pain and suffering, nowhere near that. That represented a future loss of income, and you take a young person for his entire life, it's a staggering amount of money.

Interjection: Who said that?

Mr Mahoney: I said that.

Mr Harnick: More than \$391 a week, right?

The Chair: I'm sorry. Can you just—Mr Harnick. Just answer his question.

Mr Kormos: The plane doesn't leave for two more hours. You've got two hours to talk.

Mr Tilson: Let's have another round.

Mr Peterson: As a result, I just wanted to make that comment, but I'm not suggesting we should go back to the old system, clearly not. I think a newer system—and I'm suggesting that we not get involved in the courts. The new board that's been set up, I think that appears to be very quick. It's an alternative dispute resolution. The courts are clogged up. We don't need these types of cases.

The Chair: Mr Peterson, I'd like to thank you for appearing before this committee. These gentlemen would like to talk to you for the next two hours and buy you supper. This committee is dismissed until 10 o'clock in Hamilton tomorrow.

The committee adjourned at 1622.

Substitutions present / Membres remplaçants présents:

Harnick, Charles (Willowdale PC) for Mr Sterling
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Christopherson
Klopp, Paul (Huron ND) for Mr Jamison
Mahoney, Steven W. (Mississauga West/-Ouest L) for Phillips
Mancini, Remo (Essex South/-Sud L) for Mrs Caplan
Mathysen, Irene (Middlesex ND) for Ms Ward
McGuinty, Dalton (Ottawa South/-Sud L) for Mr Kwinter
Owens, Stephen (Scarborough Centre ND) for Mr Sutherland
Tilson, David (Dufferin-Peel PC) for Mr Carr
Wilson, Gary (Kingston and The Islands/Kingston et Les Îles ND) for Mr Ward
Winninger, David (London South/-Sud ND) for Mr Wiseman

Also taking part / Autres participants et participantes:

Cochrane, Rosemarie, counsel and senior policy adviser, automobile insurance review, Ministry of Financial Institutions
Kormos, Peter (Welland-Thorold ND)
Owens, Stephen, parliamentary assistant to the Minister of Financial Institutions

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel:

Chan, Rebecca, assistant to the clerk
McNaught, Andrew, research officer, Legislative Research Service

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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***In attendance / présents**

(Continued overleaf)



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Second Intersession, 35th Parliament

Official Report of Debates (Hansard)

Thursday 4 February 1993

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Jeudi 4 février 1993

Standing committee on finance and economic affairs

Insurance Statute Law
Amendment Act, 1993

Comité permanent des finances et des affaires économiques

Loi de 1993 modifiant les lois
concernant les assurances

Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 4 February 1993

The committee met at 0959 in the Sheraton Hamilton Hotel, Hamilton.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993 LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Chair (Mr Ron Hansen): Good morning. This is our fourth day of travelling. It's great to be here in Hamilton. It's great to be close to home and the riding of Lincoln again. This is the standing committee on finance and economic affairs on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters.

I'd like to welcome Mr Joe Cordiano, Mr Gerry Phillips—you missed a great trip around Ontario but we didn't see any of it—Mr Bob Huget from Sarnia and Mr Mike Cooper, who are joining us today. Welcome.

Mr Remo Mancini (Essex South): I think these people deserve a round of applause.

ONTARIO MUTUAL INSURANCE ASSOCIATION

The Chair: I'd like to welcome the first group, the Ontario Mutual Insurance Association. If you wouldn't mind identifying yourselves for the purposes of Hansard, you may begin. We have until 10:30. Could you leave some time at the end of your presentation for questions from the committee. Being the first presenter, you'll find they're looking for at least 10 minutes, if you can. That will give three minutes to each caucus to ask questions. You may begin.

Mr Glen Johnson: The Ontario Mutual Insurance Association is the association of 51 farm mutuals in Ontario. These are purely mutual companies owned by the policyholders. The boards of directors are policyholders.

Presenting our brief today we have David Bailey, underwriting manager from the Farm Mutual Reinsurance Plan, which is owned by the farm mutual companies; Doug Little, manager of Elma Mutual at Atwood; Ron Perry, manager of Lambton Mutual at Watford; and I'm Glen Johnson from the association in Cambridge. I'll call on Mr Perry to present our brief.

Mr Ron Perry: For those who may be following along, I'm starting on page 2, as Glen has already done the introductory work, the bold print paragraph about partway down the page.

As mutual companies, our goal is to give our policyholders the best possible insurance protection at a price they are

willing to pay, within a regulatory environment that encourages the efficiencies of a competitive marketplace.

Our first point, goals of legislation: We are in agreement with the five key goals the government set out when the legislation was introduced, those being affordable and stable insurance premium prices; reasonable and fair accident compensation; fairest driver classification system; greater insurance availability and better consumer service; and safer roads and lower costs.

These are reasonable and sensible goals and are consistent with our own. However, we are not in total agreement with the means of achieving these goals as set out in Bill 164. We would prefer to see these goals achieved through less dramatic changes to the existing auto insurance product.

We believe there is a relatively high level of satisfaction with the current system of auto insurance. It seems to have achieved many of its intended goals. Premiums have stabilized. The business of insurance has returned to an economically viable position in the short run. Claims are being settled more quickly with a greater percentage of the premium dollar going to the insureds who have had claims. Feedback from the Ontario Insurance Commission tells us the dispute resolution mechanism is working well.

Overall, we are pleased with the progress that has been made. Input from policyholders has not led us to believe there is a significant enough level of consumer dissatisfaction to warrant a major change to the existing system. This system has only been in place for two and a half years. To throw out the current system and bring in the Bill 164 product would mean we would have a third substantially different product since 1990. Any degree of understanding gained by the consumer over the past two and a half years would be lost and another expensive education program for both insurance personnel and consumers would have to be undertaken.

On the other hand, now that we have a few years' experience with the existing system, we can see that improvements could be made. We believe that any product should be continually improved and updated. We would prefer to see change by way of incorporating into the existing product some of the improvements contained within the proposed Bill 164 product.

Our second point, importance of price: It is our belief that affordable prices are of utmost importance to consumers. We also believe that stability in pricing is extremely important.

Three years ago we appeared before the committee studying the current system of auto insurance and expressed our support for a partial no-fault product as a means of controlling the dramatic increases in claims costs which in turn lead to unacceptable levels of premium increase. We continue to support the partial no-fault product as the appropriate means of achieving price stability.

We also support a threshold as a means of allowing those with more serious injuries access to the courts.

Consumers should be well aware that increases in the costs of the two insurance products will lead to increases in the price of the products. Increasing benefits means increasing prices. Price is a function of the product. Control of the product rests with government in the case of auto insurance.

We have serious concerns regarding the discrepancies and assessments of the insurance industry actuaries and the government actuaries with respect to the increase in prices that a move to the Bill 164 product will cause. While the government actuaries predict an approximate 4% increase, the industry actuaries are predicting closer to 20%. Any significant increase will be unacceptable to consumers.

A report prepared by the Wyatt Co on behalf of the insurance industry indicates that the government actuaries relied exclusively on data prior to the current threshold no-fault system, assumed reductions for road safety initiatives not yet implemented and did not take into account increased interest rates and accident frequency that could result from a degree of economic recovery.

We strongly recommend that before this bill is passed, an in-depth consultative process between government and insurance industry actuaries be undertaken to ensure that the price increase associated with the Bill 164 product is not at an unacceptable level.

Our third point, verbal threshold versus deductible: We are apprehensive of the concept of a \$15,000 deductible as opposed to a well-defined verbal threshold. Our apprehension revolves around the concept of what \$15,000 worth of pain and suffering means.

There will be an increased administrative cost associated with the deductible concept. Because of the lack of certainty with respect to which injuries would warrant a \$15,000 settlement in court, many more third parties will have to be investigated as section A third-party liability claims. This will mean setting up a third-party liability file and assigning an adjuster to maintain contact with the third party or his or her lawyer. At the same time, the third party's own insurer will be handling the section B accident benefits claim. Although many of these cases will ultimately fall below the monetary deductible, insurers will not be able to ignore cases that have the potential of surpassing the deductible.

We know from experience that where the expected legal and administrative cost warrants, insurers will settle before they go to court even though the claim itself is well below the \$15,000 deductible. There will be many of these cases. In our judgement, this will be a significant administrative cost to the system, a cost that ultimately is passed on to consumers.

Determination of a monetary value for pain and suffering is very subjective. We assume Bill 164 proposes the \$15,000 deductible as a method of controlling the cost to some degree. We fear that any cost-controlling effect could be eroded as settlements determined by subjective judgements creep upward.

We much prefer a verbal description of who will have the right to sue for pain and suffering. In our judgement, the verbal method is much more explicit. If a straight verbal

threshold is deemed unacceptable, we believe the deductible should be at least supported by some sort of verbal explanation. This verbal explanation could describe the sort of injury that should have access to the court system or the sort of injury that should not have access to the court system.

Predetermination of the type of injuries that should have access to the court, and some sort of verbal description, can only help to control claim costs. It will also serve the purpose of giving the consumer a clearer understanding and thereby lessening dissatisfaction created by unrealistic expectations. Any verbal definition should be printed in the coverage contract wording as opposed to simply being some sort of non-binding guideline.

Our fourth point, the need for controls: Insurance must have a strong emphasis on indemnity, that is, fair and adequate compensation. However, insurance policies must also contain enough controls to guard against abuses driving up claims costs and ultimately premiums.

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We agree that if insureds do not have access to the courts, we must be very careful to ensure that they are able to receive complete indemnity through the first-party benefit. We believe that it is reasonable to place adequate controls within the policy wording to help guard against abuses by an insured and medical adviser or anyone else providing medical assistance, yet not impede access to necessary coverage.

We believe that consumers understand that any system of accident, sickness, disability or unemployment insurance must have adequate controls to prevent abuses.

Specifically with respect to Bill 164, we believe that controls need to be more balanced between the insured and the insurer. As presently designed, too much control rests with the injured party and his appointed medical practitioners and advisers. More control needs to be placed with the insurer by way of giving the insurer the opportunity to request an independent medical evaluation within designated time frames. In addition, insurers should have the right to assess whether programs of treatment are effective.

We also have concerns with respect to the mechanism by which insureds are able to upgrade their status with respect to loss-of-income benefits. We agree that within a first-party compensation system, this sort of schedule reassessment is important. We agree with the theory but would like to see appropriate controls. Without adequate counterbalances by way of allowing the insurer reasonable controls, overcompensation can creep into the system, resulting in increased costs and hence increased premiums. We suggest that the task force recently formed give study to all of these issues.

We agree with the concept of allowing the self-employed and insurer to predetermine, at the time of underwriting the policy, the amount of weekly indemnity to be paid in the event of a claim. This concept lends itself well to farmers and many small businesses where the owner's earnings come from the business rather than a weekly wage. The insured will in essence be able to buy insurance to cover the cost of replacement labour. We would like to see this

feature added to any changes to Ontario's auto insurance system.

Our fifth point, removal of caps: With respect to the matter of removing dollar limits and time limits on medical rehabilitation and long-term care coverage and the interest of controlling the cost of this product, we would prefer to see the limits increased and indexed with a review and assessment feature for cases where the individual reaches the policy limit.

The concept of unlimited benefits creates some difficulties. Insurers operating in Ontario, including ourselves, look to world markets for reinsurance coverages. Unlimited benefits without caps or sufficient controls will lead to higher reinsurance costs. The farm mutuals' own reinsurers, Farm Mutual Reinsurance Plan Inc, have already been served notice that their contracts will be renegotiated if Bill 164 is passed. Reinsurance cost is ultimately passed on to policy holders.

We have to believe that pricing a product which involves unlimited liability will be difficult and more expensive than it needs to be.

Our sixth point, increased emphasis on rehabilitation: Certainly the emphasis of any benefit program should be on rehabilitating injured individuals and reintegrating them to their pre-accident lifestyle. Any changes to the auto insurance product should contain a strong commitment to that goal. We concur with government's commitment to rehabilitation and we're pleased to see formation of the task force on rehabilitation and long-term care benefits.

We are encouraged to see a greater commitment by insurers to rehabilitation. The insurance industry has already pledged its commitment to developing rehabilitation guidelines and increased education for its personnel in the area of rehabilitation.

We recognize that, within an environment of no-fault insurance, it is incumbent upon us as insurers to provide the best possible management of the rehabilitation needs of our insureds. At the request of the auto insurers in Ontario, the Insurance Institute of Ontario has established a certificate program to educate claims staff to a level of certified insurance rehabilitation coordinators.

In addition, Farm Mutual Reinsurance Plan Inc, as a service to its farm mutual members, has commenced a study seeking input from individual mutual companies to study how we can best meet the rehabilitation needs of our insureds.

These are only a few initiatives; we expect to see more happen in this area. First-party delivery of benefits fosters improved rehabilitation initiatives. Within a first-party benefit system, there is an incentive for insurers to compete to provide the best service to their insureds. We look forward to the recommendations of the newly formed task force which will study rehabilitation.

Our seventh point, fairest clarification system: We are in favour of the fairest possible driver classification system. But what constitutes fair? Is it fair for categories of drivers such as seniors or females to be classified with young males while statistics show that seniors and females are less likely to be involved in automobile accidents?

This is a difficult issue to deal with. In 1988, the farm mutuals made representation before government bodies studying this issue. At that time, we expressed our opinion that a classification system that recognizes age, sex and marital status is preferable to one that results in cross-subsidization.

We support the implementation of a uniform class plan that is acceptable to consumers. However, we believe any such change would only be accepted by consumers if it did not result in extensive rate dislocation.

We are all aware that the previous government experienced opposition from particular segments of the public, for example, senior citizens, females etc, which caused it to rethink the changes it was planning for the classification system. That experience should not be ignored.

We are certainly willing to implement whatever the government deems to be socially appropriate for Ontario. However, we have to object to cabinet being given powers through Bill 164 to make these decisions without input from the public or the insurance industry. The Ontario Insurance Commission is currently empowered with policing the rating and classification process. We believe the OIC is the appropriate body to perform that task.

We do not agree to uniform formulas for settings rates, as was proposed in subsection 12(12) of Bill 164. We are pleased to see that the government is withdrawing this subsection. This would have only compounded foreseeable rate dislocation.

Road safety: We believe that initiatives related to preventing automobile accidents are of equal importance and urgency compared with changes to the system of insurance. Traffic collisions cause more than 1,200 deaths and more than 120,000 injuries each year in Ontario. First and foremost, increased emphasis on road safety will prevent needless human suffering caused by automobile accidents. As a byproduct, the cost of automobile insurance, and therefore prices, will be positively affected.

The Ontario Mutual Insurance Association strongly supports the concept of graduated licensing. The injury and death caused by inexperienced drivers makes a compassionate argument for doing something to improve the situation immediately. Some of the models for graduated licensing put forth so far include such features as supervision by a licensed adult, zero blood alcohol content, night-driving curfews, limitation of where inexperienced drivers can drive and a minimum period of accident- and conviction-free driving to graduate to a non-restricted licence, all of which seem very sensible.

Graduated licensing has a significant level of public support. It is also supported by the organizations which know best the effects of inexperienced drivers: police, insurers and organizations formed to combat drunk driving.

We applaud the government's initiative of introducing a bill to form a road safety agency. However, this bill has not seen second reading and graduated licensing still has not become a reality in Ontario. We encourage you to move all road safety initiatives forward quickly. We certainly believe that if Bill 164 moves ahead, placing significant upward pressure on premiums, specific road safety programs

must move ahead with it. We repeat, road safety initiatives are as urgently needed as changes to the insurance product.

Our ninth point, education and understanding: We would like to see more emphasis on the use of education for loss-prevention purposes by way of a compulsory, structured driver training program which would include a component aimed at explaining the cost of the system, the fundamentals of how insurance works and instruction on the coverage provided by the Ontario statutory auto insurance policy.

We believe that the government must recognize that almost every high school student in Ontario will eventually operate an automobile on the ever more congested roads in our province. Therefore, we believe that a major part of the long-term solution is to make appropriate instruction mandatory in the curriculum of all Ontario high schools.

We also believe that consumers must be educated with respect to the effect that various factors have on the price of insurance. We believe this is not only important to the insurance industry but also to the government, which, in the case of automobile insurance, virtually controls the price by controlling the extent of coverage provided by the statutory product.

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Even a minimal amount of instruction within a compulsory, structured driver training program pertaining to the coverage provided by the Ontario statutory auto policy could go a long way to promote public understanding. While expanded coverage is desired by everyone, it is essential that everyone understands that broader coverage has a higher cost. It is also important for the public to understand the upward pressures which claim costs put on premiums. We believe specific initiatives aimed at educating the public should move ahead if Bill 164 is implemented.

In conclusion, the changes in the system of auto insurance as set out in Bill 164 will increase some areas of coverage, and it is our opinion that the price will be substantially affected. We believe that careful study must be given to the effects on price before this bill becomes law. Especially now in recessionary times, the public will not readily accept a significant increase in the cost of auto insurance.

We believe that a thorough, renewed consultation between government actuaries and insurance industry actuaries is in order. If this process bears out that the cost will indeed increase substantially, we must focus on how we can implement modifications that will bring the price increase to an acceptable level. This must be done before any expanded product is implemented. We highly recommend that the deductible concept be re-evaluated.

We would also recommend that further thought should be given to the complexity issues of the new legislation. The public wants not only a product which is affordable but also understandable.

Any road safety initiatives that are taken into account in the government's costing of the Bill 164 product must be implemented before the new product takes effect.

We appreciate the opportunity of expressing our views on Bill 164.

The Chair: A very excellent brief, especially on education and safe driving.

Mr Mancini: How much time do we have?

The Chair: We have about two and a half minutes per caucus.

Mr Mancini: I'd like to thank you for what I also consider to be a very excellent brief. I'm going to ask you a series of short questions, because time is limited.

For the record, the Ontario Mutual Insurance Association basically sells insurance to farm families. Is that correct?

Mr Perry: Farm mutuals and people living in rural Ontario.

Mr Mancini: And income on the farm has gone down and not up over the last few years and many farmers are under financial stress, so an increase in insurance to farmers would not be a very good thing at this time. Would you agree with me?

Mr Perry: That's true.

Mr Mancini: You would also agree with me that these 68 pages of draft regulations that have been prepared by the government as an attachment to Bill 164 are very complex. Even the most learned people in the insurance industry have had great difficulty in understanding what these regulations mean, and therefore consumers would have a great deal of difficulty in understanding what they would mean.

Mr Perry: That would be my opinion, yes.

Mr Mancini: Do you agree with me that if the government goes ahead and removes age and gender from the factors which make up the amount of money that consumers must pay for insurance, senior citizens will be hard hit and women will pay more for their insurance also, if they go ahead with removing age and gender factors?

Mr Perry: That appeared to come out when it was studied before, that that was one of the problems that would happen: Other classes, as there was a levelling-out effect, would probably be going up in rate to offset the premiums that were paid by those higher risks.

Mr Mancini: I would like to go back to your initial comments on page 2, where you gave five goals for this legislation: affordability, reasonable and fair accident compensation; fairer driver classification; greater insurance availability, and safer roads. I would contend that Bill 164 fails on every point you've made.

Bill 164 fails on affordability because both the government consultants and other—

The Chair: Mr Mancini, time is running out. Just make it a short one.

Mr Mancini: It's difficult to make the whole thing as short as you'd like, Mr Chair, but I believe the point has already been made that based on the five goals the mutual association is espousing, the bill fails.

Mr David Tilson (Dufferin-Peel): You're right. I thank you for your comments this morning and your opening remarks about the desire of the public for rates to be stable and affordable. We've certainly heard testimony from all across this province, from insurance companies—

in fact, anyone who looks at this bill at all knows that rates are going up, from the unexplainable benefit packages—no one really knows what they're going to do to us—the bureaucracy that's going to be increased, not only within the insurance industry but within the insurance commission, within the government and probably the increased adversarial system. It's ironic that we're trying to replace an adversarial system and in many respects I believe we're going to be creating another adversarial system.

We know that rates are going up as high as 20%. We know that. What no one has given us any facts or predictions on is what's going to happen after that. In other words, once these benefits get all figured out, these unexplainable benefit packages that Mr Mancini has told us about, which none of us understand what they mean, have you any predictions as to where we go after that first 20% increase?

Mr Perry: I wouldn't have any cost. It's certainly a serious concern of ours with this bill. As we say, there's a great discrepancy between what the government people feel it's worth and what the industry people do. We're relying on their expertise to come up with these.

Mr Tilson: I wouldn't do that. Don't do that.

Mr Perry: We're suggesting that we think there should be further study of this. Somehow we've got to get closer between the two viewpoints as to what cost is. From that point on, that would be hard to answer.

The Chair: I've got to go on to Ms Mathysen.

Mrs Irene Mathysen (Middlesex): I would like to say that I think your brief, your recommendations, reflect the kind of concern you have traditionally, as farm mutuals, demonstrated for a very important community in Ontario, and I want to thank you.

A couple of quick questions. You talk about the importance of education. I come from a rural riding, and I was a teacher in a former life, so I understand the importance of that. Do you plan to become involved in any way in terms of education, providing ideas or input? Do you have a program of any kind?

Mr Perry: I'll turn that over to Glen Johnson from our association office.

Mr Glen Johnson: We already have been, to some extent. There's a program put out by the insurance industry, actually developed by mutuals in the US, called Choice, Chance, Control. A number of the mutuals in rural communities have been out into high schools already trying to get across the point that you have some control over your future and that safe driving prevents accidents, that sort of thing. So yes, we would take part in that actively.

Mrs Mathysen: You mentioned the rural community. Graduated licensing I think is a very important step in that direction, but one of the things we've heard as rural members is some concern, because the reality is that very often younger drivers are needed to go do the errands for the family on the farm. Is there any way we can utilize the best of graduated licensing without causing undue hardship? Have you any suggestions?

Mr Glen Johnson: We recognize that rural people may have special needs. We are promoting the concept, not necessarily all the details. We recognize that in rural situations there may have to be certain exceptions, but we have promoted this idea throughout rural Ontario and really haven't had any degree of negative feedback.

The Chair: I'd like to thank you for appearing before this committee today.

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BRANTFORD AND DISTRICT HEAD INJURY ASSOCIATION

The Chair: The next group is the head injury association. Would they come forward, please, and your associates. I'd like to welcome you to the standing committee on finance and economics. We have one half-hour, and in that one half-hour if you can leave some time at the end for questions. The lady on the left there, I am the Chair of this committee. I met her down in the lobby earlier, and she said, "You don't look like the Chair." I was in blue jeans at that time. We start early around here. If you don't mind identifying yourselves from left to right, or whichever way, you may begin.

Mr Lawrence Palk: Thank you very much, Mr Chairman. With me today is Dianne Henderson, from the Niagara Head Injury Association, and Sandy Webber, from the Brantford and District Head Injury Association. My name is Lawrence Palk, and I am representing the Brantford and District Head Injury Association. Sandy Webber and I are both on its board.

I come before this committee today as both a victim and an advocate. In May 1988 I was the victim of a hit-and-run car-bicycle accident which nearly claimed my life. In the years that followed my accident, my life has been transformed in ways I could never have imagined.

At the beginning of 1990, after being diagnosed with a permanent brain injury, I became involved in the head injury movement as a director of the Hamilton-Wentworth head injury support group and in 1991 as a founding member and director of the Brantford and District Head Injury Association.

Three years ago, I spoke at the hearings on Bill 68. Bill 68 punished victims with a grossly imperfect threshold system, delivering unrealistic income replacement benefits, and it removed the right of all but the worst 5% of accident victims to sue for pain and suffering and economic loss. The rehabilitation benefits were insufficient. In short, the bill was flawed.

In stark contrast, the record of the NDP is very different on this issue of auto insurance, beginning with Tommy Douglas in 1946. In succeeding years, Schreyer and Barrett continued to point the way on auto insurance reform.

The fight for publicly owned auto insurance with protection for victims and the right to sue began in Ontario with a former member of the Legislature, Mel Swart, the former member for Welland-Thorold. Mel Swart stood up for victims.

In the election of 1987, the term "highway robbery" was coined by the now Premier, Bob Rae. During that same campaign, David Cooke, a cabinet minister in this

government, said, "Insurance companies seem to be getting away with all kinds of discrimination." In 1990, NDP members such as Ed Philip and Peter Kormos fought bravely to block Bill 68. In 1990, the NDP announced that it still supported the right of innocent victims to sue for pain and suffering and economic loss. But in Honey Harbour in 1991 all of this changed, and today we have before us Bill 164.

When our association looks at Bill 164, we see welcome improvements over Bill 68 in the areas of supplementary medical and rehabilitation care and long-term care, but in several of the most critical areas of this legislation the bill is nothing less than an assault on every citizen of this province. Specifically, I mention the provisions in the bill related to students, seniors, the removal of the right to sue for present and future economic loss, the income replacement benefits and the \$15,000 deductible rule.

Let me elaborate. Under Bill 164, if you are a student, the simple message is: Don't drive a car. An example is a 24-year-old female student in her final year studying to be a teacher in an Ontario university. She is severely injured in an auto accident, sustaining a traumatic brain injury which impairs her speech, short-term memory and other cognitive functions, these rendering her permanently unemployable. However, she still has bills to pay. She's living in an apartment for which she has signed a nine-month lease, and she has numerous other expenses to pay.

The maximum she is entitled to under this bill is \$4,000 plus \$185 a week disability benefit. If she's living outside of Toronto, this is going to be difficult. In a large metropolitan area such as Toronto, this is going to be almost impossible. At this point she will be disabled for life without the right to sue for future economic loss. Her career prospects are ruined.

Then there is the removal of the right to sue for present and future economic loss. This is, without a doubt, the most draconian measure one can imagine. Whenever someone is involved in a major traffic accident causing significant injury of a lasting kind, the largest part of a suit is for economic loss. Under Bill 164, that alternative will be a thing of the past. Insurance companies ought to enjoy this all the way to the bank.

I also envision great difficulties for independent business owners who stand to lose their businesses unless, of course you guessed it, they pay extra insurance protection. Insurance companies will enjoy that too. The provision of the bill removing the right to sue for economic loss couldn't be better drafted, unless the insurance lobby had done it themselves.

The provision of this bill allowing for the right to sue for pain and suffering with a \$15,000 deductible is nothing more than a cruel piece of deception. I say this because the minister has said that this provision will allow for more victims to sue than under Bill 68. That is hardly the full story. What the minister neglects to say is that with the \$15,000 provision it probably won't be worth going to court for anything but the most major of injury cases, because a combination of time, lost income, legal costs, medical and

care giver reports and psychological injury is likely to discourage most people from ever going to court.

As a result of this proposal, known as Bill 164, I wish to make the following recommendations on behalf of the board of directors of the Brantford and District Head Injury Association:

(1) That the right to sue for future economic loss be retained and not removed, as Bill 164 has recommended.

(2) That the provision of the bill relating to a \$15,000 deductible on all pain and suffering awards be removed from the bill.

(3) That the \$185 weekly disability benefit be enhanced for students, seniors and all others as may be found necessary.

(4) That graduated licensing be passed into legislation at your earliest possible opportunity.

(5) That the province of Ontario institute and pass into legislation a provision of law which would state that any driver in Ontario who is convicted of more than one alcohol-related driving offence automatically loses his or her driver's licence and all rights to insurance for life and that the said motorist will have his or her vehicle impounded. This type of action is long since overdue, given the many examples of this type of offence.

An example of this type of offence was reported in the Toronto Star on November 25, 1992. The example in question is the case of Renald Nadeau, age 35 from Kemptville, Ontario, who was recently convicted for the 26th time of drinking and driving, for which he received a two-year sentence and a three-year licence suspension. Why wasn't Mr Nadeau off the road for good a long time ago? Isn't it high time the repeat offenders of these crimes are penalized rather than shown the blind eyes of the justice system with a nod and a wink?

(6) That all first-time impaired driving offenders must undergo mandatory alcohol and behaviour rehabilitation and that said rehabilitation involve a mandatory visit to a hospital, where offenders could see at first hand what injured victims go through on a daily basis. This type of experiment has been carried out in other jurisdictions, and I believe it is worthy of consideration in Ontario. In addition, I would urge an automatic one-year licence suspension in such cases.

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(7) That there be much stronger penalties enacted through the Highway Traffic Act and the Criminal Code relating to leaving the scene of an accident. It is astonishing to believe that in a land such as ours, there's still a law which says to every impaired driver, "The law will treat you far more lightly if you leave the scene of an accident than if you stay and help a victim." The maximum for impaired driving is 14 years, yet the maximum for leaving the scene is two years. Where is the justice in this?

(8) There must be a far greater awareness of the crime of driving without a licence. This is a crime of selfishness, and ought to be treated accordingly under law.

In conclusion, I ask you, the members of the NDP caucus on this committee, to try to understand what it is like to be permanently disabled for life. As a member of the board of directors of the Brantford and District Head

Injury Association, I see the hurt that motor vehicle accidents can do. I see victims who have lost businesses, careers, income, relationships and their own personal identities. These are people like yourselves. But for a strange quirk of fate, you could be them.

In this province and in American health care institutions, there are literally thousands of traumatically brain-injured Ontarians, children and adults, living on the margins of society, clinging to life. You, the members of the Legislature, have tossed dollars and cents around and claimed that Bill 164 is better than Bill 68. Bill 164 is not the solution to Bill 68. Bill 164 is an assault on the rights of every individual to recompense in the courts of this province. For some, it is a sentence to life on the welfare rolls. This is a bill of broken promises and shattered dreams.

As New Democrats, you have a party philosophy built on respect for the underprivileged in society. Surely you are not prepared to throw it all away with the same spite and arrogance as David Peterson did only three short years ago. If you do, you will be no better than he and, in the process, you will have thrown away something far greater, your principles.

[Applause]

The Chair: I'm sorry, it's out of order.

Mr Peter Kormos (Welland-Thorold): So be it, but this submission isn't.

Mr Mancini: Strike the applause from the record.

Mr Palk: Mr Chairman, I've attached to this presentation an addendum based on a presentation that was given last week by the St Michael's Hospital head injury trauma unit, which I felt at the time was a very, very worthy presentation. I believe it's worthy of your further consideration. Now we would be very happy, as a group, to answer any and all questions that you may have.

The Chair: Okay, we start off with Mr Harnick. We've got about five minutes-plus per caucus.

Mr Charles Harnick (Willowdale): Mr Palk, it's interesting that you indicate that you think the insurance companies wrote this legislation because it took out economic loss. Let me tell you, to be fair to the insurance companies, that this was something totally done by the NDP. Even the Insurance Bureau of Canada and every insurer that's appeared here has said that it's wrong to take economic loss away from people, so rather than blame the insurers, you can totally blame them, because they did it on their own.

Let me ask you this: I understand from your brief that you were a victim of an accident yourself, and that in the course of that accident, you were a head-injured person.

Mr Palk: Yes.

Mr Harnick: I gather you lost some income and some future income.

Mr Palk: Yes.

Mr Harnick: Were you able, in the course of that lawsuit that you were involved with as an innocent victim, to claim your future loss of income?

Mr Palk: Yes I was, Mr Harnick. I was fortunate enough, if you can call it "fortunate," to have had this accident pre-1990.

Mr Harnick: Let me cut you off just for a second. Can you tell us please what would have happened to you if you were not able to claim your actual future loss of income? What would your life have been like?

Mr Palk: It would, quite frankly, have been ruined. There's no way of being able to compare this legislation to anything pre-1990 at all. It's just a total change.

Mr Tilson: I read your addendum and I'm sure the other members of the committee will as well. I was specifically interested in two statements: your comment that insurance company adjusters and/or investigators walk in unannounced to hospital rooms of head-injured patients so as to check up on them, or worse.

Mr Palk: Yes.

Mr Tilson: The thought brings to my mind the whole system of advocacy. The NDP, of course, has made no secret of its absolute hatred towards the legal system, the lawyers. They think that they've abused the process and that they're the cause of why auto insurance rates have gone berserk. In doing so, with Bill 164 they are reducing the ability of people to receive legal advice, to receive advice as to what their rights are, either between the person who strikes them or with the insurance company. We now will have a process where more and more people will be dealing with the insurance companies, which are well financed, well trained, well qualified. Have you any thoughts, from your association's perspective, as to who will advise the innocent accident victim in those particular situations?

Mr Palk: I think quite clearly, to somewhat digress, that the \$15,000 provision in this legislation in itself is going to deter a lot of people from going to lawyers. I've concluded from my own experience and from the experience of others that it probably will not be worth going to court for anything less than \$50,000. In fact, if you take that part of the bill out of the equation, I think lawyers are going to be very much deterred from getting involved in these types of cases, and innocent accident victims certainly will, because in the end it's going to cost.

Mr Tilson: Would you have been able to manage without a lawyer?

Mr Palk: No, absolutely not. It's far, far too complex a process.

Mr Tilson: Thank you, sir. Those are our questions.

The Chair: One minute.

Mr Tilson: One minute left? What a pleasant surprise. My goodness.

I'd like you to elaborate on that whole issue of the deductible; there's one final issue. You have commented on that somewhat. Our position has always been that it's almost going to be like a penalty. As you say, unless you receive \$50,000, it's not going to be worth your while. So you sue for \$20,000 or \$25,000, you have a penalty called \$15,000, so you sue for \$25,000 or \$30,000 and you have \$15,000 taken off the top. Have you, as an organization, had any input on this whole philosophy of the deductible?

Mr Palk: We've had no input at all.

Mr Tilson: Have you been asked?

Mr Palk: We have not been asked.

Mr Tilson: What about with respect to this task force that the government's boasting about. Have you had any requests to participate in that process?

Mr Palk: None whatsoever.

The Chair: I'm going to have to go to Mr Winninger.

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Mr David Winninger (London South): I certainly appreciated a lot of your recommendations with regard to improving road safety. I would like first of all to correct something in your brief, though, that appears at the bottom of page 1 and goes on to page 2: the 24-year-old who you say would receive \$4,000 plus \$185 a week disability. The 24-year-old would receive an \$8,000 lump sum plus \$217 a week. Two years later, after two years of income replacement benefits, that 24-year-old, at the age of 26, would have a weekly benefit increase to \$346, indexed, and then that would of course go up to \$391 a week, indexed. I'm just indicating to you that the benefits are different.

Mr Mancini: It's still below the poverty line.

Mr Harnick: Under \$20,000 for the rest of your life.

Mr Winninger: I listened carefully when you were putting your questions to the witness; I hope you'll extend the same courtesy to me. I ask for an additional 10 seconds there, Mr Chair.

We've heard from several head injury associations in Toronto, of course, and in Thunder Bay and Windsor. They told us that they had asked for several things when Bill 68 was under consideration back in 1988: better rehabilitation, and they acknowledged this bill delivers that by lifting the cap; indexing benefits, it's costly, but that's something this bill delivers; and increased loss of earnings benefits.

I'd like to come back to your comment, Mr Palk, about your own injury, which was suffered in a hit-and-run accident. I gather that they were able to apprehend the driver who left the scene.

Mr Palk: Yes.

Mr Winninger: Do you know what would have happened to you if they hadn't been able to apprehend the driver who left the scene?

Mr Harnick: He would have sued his own insurance company. He would have had underinsured coverage.

The Chair: Mr Harnick, you had your time.

Mr Harnick: He's asking him a technical legal question.

The Chair: He has that right. You had your time.

Mr Winninger: Do you know what would have happened?

Mr Harnick: He's not a lawyer. How is he supposed to know?

The Chair: Mr Harnick, this has been a whole week, and I've been very patient with you.

Mr Harnick: I've been patient with you too, sir.

Mr Winninger: I'm sorry, Mr Harnick, but you should give this witness, who has put together an excellent brief,

credit for knowing a few things about how the system works. You don't have to be a lawyer.

The Chair: This is their time, not your time, Mr Harnick. It's the witness's time.

Mr Winninger: Again, Mr Chair, I hope you'll extend my time, due to these unsolicited interruptions.

Mr Harnick: Stupid questions.

Mr Winninger: We've lowered the threshold, and the head injury associations asked for that. Some acknowledged that there should be a threshold.

Mr Harnick: Who said you lowered the threshold?

The Chair: Mr Harnick, there are four corners in this room. Which one do you want to stand in?

Mr Harnick: Any one you want me to.

The Chair: Okay, Mr Winninger; carry on.

Mr Winninger: It's too bad that every time a witness agrees with something, Mr Harnick has to jump in.

Mr Harnick: Your questions are sneaky.

The Chair: Mr Harnick, one more time and I'll have you removed from the room.

Mr Winninger: The Head Injury Association acknowledged that there should be some threshold and that we've lowered the threshold to extend access to tort to three times as many people. By increasing the weekly benefit, we're covering 97% of full-time wage loss, as opposed to only 73% under the OMPP. We've extended coverage to psychological and mental injuries as well, which the old act didn't. So these are all the benefits. But as a government we walk a fine line between maintaining affordability of premiums and increasing access to better benefits.

Mr Palk: Mr Winninger, before you go on, I'd just like to say something. Without being too terribly involved, which you certainly have been, I can safely say that you're doing absolutely no favour to innocent accident victims with this bill. The \$15,000 provision is bad enough, but taking away the right to sue is just absolutely scandalous.

Mr Winninger: What about the person whose car goes off the road due to a mechanical failure, a single-car accident, or a small child who darts between two cars?

Mr Harnick: That's why you have accident benefits.

Mr Winninger: Should the families of those accident victims, who aren't technically innocent, and the accident victims themselves receive less to ensure that the so-called innocent accident victim can sue for full tort?

Mr Palk: Mr Winninger, your question reminds me very much of an incident during the Bill 68 hearings when a certain member of the Liberal caucus asked me a very, very technical question, what I would term a "what if" question, which is totally unanswerable and in my mind is absolutely meaningless.

Mr Winninger: But people go off the road all the time. Single-car accidents are quite common.

Mr Palk: I'm sure those situations occur.

Mr Winninger: Those people could be totally incapacitated, could be rendered quadriplegic, but someone's got to pay for the no-fault benefits for these people.

Mr Palk: Those are small, small situations, and I'm sure that you or I could come up with any number of situations if we wanted to. But as a whole, if you look at an average case where someone incurs a brain injury, as is both my experience from statistics and my own experience, I can safely say that as an example, 50% of the impaired driving offences that are carried out in this province are done by repeat offenders. If we're to suggest examples such as yours, then it should be just as incumbent upon me to suggest other incidents which are probably more representative of the situation than the type of small incidents you're talking about.

The Chair: Mr Phillips.

Mr Winninger: You have suggested some very good recommendations for dealing with drunk drivers, but not everyone—

The Chair: Your mike is off; I'm sorry. Mr Phillips has the floor.

Mr Phillips: Thank you, Mr Palk. I want to get into some of your recommendations, but I want a kind of overview comment from you. The riveting point for me in the last election was the day the election was called, and that day Bob Rae said, "'The Premier has lied to the people,' Rae charges." It was like a laser beam at me when he said that. He said, "I don't believe a word the Premier says about auto insurance." This is Rae referring to Peterson. "Mr Peterson has lied directly to the people with respect to car insurance. He promised a very specific plan to lower car insurance, so I don't see any alternative but to say that in the last election Mr Peterson lied to the people of the province of Ontario about car insurance." Those were Mr Rae's comments about Mr Peterson.

How would your group categorize Mr Rae now in terms of his promises?

Mr Palk: I would say it's a very, very big disappointment.

Mr Phillips: If Mr Rae were characterizing himself, would he say he lied to the people?

Mr Palk: Probably not.

Mr Phillips: But if he applied the same standards he did to Mr Peterson, would he have a choice but to say that he lied?

Mr Winninger: Talk about an unfair question.

Mr Palk: Well, I think—

Interjection: Is that the issue here?

Mr Phillips: Pardon me? Well, the issue is, in your brief, Mr Palk, you point out trust, I think, and several times refer to the promises that were made to your group in the last election. So I'm suggesting, in your brief, you were promised these things, and Mr Rae said Mr Peterson lied when he didn't deliver them. I'm just trying to say I would think that if Mr Rae were now analysing his own performance against promises, he'd have no alternative.

Mr Palk: Well, Mr Phillips, I think I should be an equal opportunity critic. I think if we're going to be dumping on the Premier, it's just as incumbent upon me

to say that Bill 68 was a most convenient invention of the Liberal Party.

Mr Phillips: Okay, I appreciate—on your recommendations, you've got eight of them here and I think many of them are very good. The last five, I think, are dealing with solutions that may not be right in the bill, and there are some very good recommendations. The first three, I think, are the ones that are most directly applicable to the bill. If I might start with the first one, the right to sue for future economic loss, with the existing bill, Bill 68, would the provisions in there be acceptable to your group as they stand right now?

Mr Palk: No, they would not.

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Mr Phillips: What would you like to be in the bill, then?

Mr Palk: First of all, I think that given the threshold, you have essentially eliminated 95% of the people who are involved in auto accidents, and I think that is far too high. There is no way I can in my wildest dreams imagine going through a threshold process myself, given what I went through prior to 1990 in my case.

The Chair: Okay, the time has run out. I'd like to thank you for coming before this committee.

HAMILTON AUTOMOBILE CLUB

The Chair: The next group is the CAA, Hamilton Automobile Club. Would they come forward, please?

I'd like to welcome you here to the standing committee on finance and economic affairs. We have until 11:30. You've been watching the proceedings going on. You can see the members love to ask questions, but don't let them make long preambles. You may begin, and would you identify yourself for the purposes of Hansard. I've got your name here, but they want to hear it.

Ms Catherine Newell: My name is Catherine Newell and I'm the director of public and government affairs at the Hamilton Automobile Club, and also the vice-chairman of public and government affairs for CAA Ontario.

The Hamilton Automobile Club is Canada's oldest auto club. At the time of its founding there were but a handful of motorists. However, our membership has grown from its humble beginnings of 19 members to over 243,000 members today.

The Hamilton Automobile Club is a not-for-profit organization which, among other things, was founded in 1903 to further and protect the interests of motorists. The club serves motorists in Hamilton-Wentworth, Halton, Brant county and Haldimand. Our membership represents a market penetration rate of 52.1%, which means that over 52.1% of all passenger cars registered in the territory served by the club belong to HAC members. The Hamilton Automobile Club's affiliates in Ontario are comprised of 10 clubs, which together with the HAC have a total membership in excess of 1.5 million members.

The Hamilton Automobile Club is affiliated with the Canadian Automobile Association, whose membership in total is 3.6 million, and the American Automobile Association, which has in excess of 33.7 million members.

One of HAC's specific objects, namely, "to engage in all activities permitted by law to further and protect the interests of the users of motor vehicles and the travelling public," is also one of our most important roles: that of being an advocate for motorists. It is in this capacity that we make our submission to you today.

For the last 10 years the Hamilton Automobile Club has been actively involved in bringing problems experienced by motorists with respect to auto insurance to the attention of the government and insurance industry. We have participated in a variety of government committees from the mid-1980s and have presented at both the public hearings into Bill 68 and the Ontario Automobile Insurance Board reference hearing into no-fault insurance systems.

The insurance crisis in the 1980s was significant. We received several thousand complaints on the spiralling costs of insurance, and these complaints were in the course of a month. Those on fixed incomes, pensioners and those on government assistance found it difficult and in many cases impossible to afford the amount they would have to pay out of their fixed budget for insurance premiums. Pensions and government assistance payments, even if tied to the consumer price index, couldn't keep pace with the cost of insurance, as it was consuming more of the total dollars available to people as disposable income.

Another group particularly hurt were newly licensed drivers, whose premiums were reflective of age, sex and marital status.

Clearly, the issue of affordability of insurance premiums remains the most important concern of motorists. However, along with affordability, we must have a system of reparation that deals effectively and compassionately with all those injured as a result of motor vehicle accidents. Increasing structured accident benefits to those injured is laudable, provided they can be enhanced without causing an escalation in insurance premiums.

We supported the threshold no-fault system proposed in Bill 68, with the proviso that it would in fact lower the cost of insurance premiums for all consumers and that it would contain future insurance costs to modest levels and that the threshold language be rewritten to provide a less restrictive threshold. In other words, we argued that the threshold wording should be amended to ensure that more of the seriously injured were able to sue.

If the complaints we receive today are a barometer of how the public feels about insurance, the Ontario motorist protection plan had a positive effect. Since Bill 68 became law, we have noticed a dramatic decrease in the number of complaints received from our members about both the cost of insurance and the actual handling of their claim by their insurance company. Of the complaints we continue to receive, the majority deal with claims-handling or problems stemming from a lack of understanding of the current legislation. Clearly, insurers must do far more to ensure that their insureds are fully versed in their entitlements under the current no-fault regime or, if it becomes law, the system proposed in Bill 164.

Complaints also arise from a lack of understanding on the part of the claimant about the direct compensation scheme. It is imperative that the government proceed with

an enhanced customer and consumer information service, along with the development of consumer advocacy mechanisms. It is very clear that consumers have little or no understanding of the current legislation and much needs to be done to educate consumers about their rights, regardless of which system is in effect.

We applaud the government's decision to proceed in the longer term with a uniform, non-discriminatory risk classification system of drivers for premium-rating purposes. The insurance product is very difficult, if not impossible, to compare from company to company because consumers can't compare products based on varying definitions and rating factors. It is imperative that the government move swiftly to enact regulations prescribing a risk classification system that must be used by all insurers. If consumers know that the ground rules are the same from company to company for rating them, they can look, for example, at a company's reputation for service or a price differential and make an informed, meaningful decision as to which insurance company they wish to place their business with.

Section 11 of Bill 164 contains the newly worded regulation-making power prescribing a risk classification system and is critical to the government being able to move forward with a uniform risk classification plan.

Bill 164 contains a new provision dealing with the risk classification system that strengthens consumer protection. Section 38 of Bill 164 provides that, "No insurer shall, as a result of" the risk classification system, "increase or decrease the rate for a class of risks" by more than the prescribed monetary amount or percentage. However, the insurer has the opportunity to apply to the commissioner for approval of a plan that would allow it to phase in an increase or decrease over a period of time. The commissioner will only grant such an application if, among other things, the plan will cause a minimum of disruption in the marketplace and would be in the public interest.

Bill 164 provides that the commission shall, at least once every three years, seek the views of interested parties regarding the risk classification system and report to the Legislative Assembly any recommendations for amendments to the system. This ensures a thorough review of the risk classification system in a public forum. Reviewing the system in this manner ensures that the government is responsive to problem areas as they arise.

Over time, we have strongly advocated in favour of the removal of discriminatory practices in rating drivers. We applaud the government's intention to remove age, sex and marital status as rate-setting criteria. We continue to support universal rating factors that emphasize driver experience and driver behaviour. We feel that drivers should enter the system free of bias and that higher premiums should be charged against those drivers whose individual experience, record and claims history is poor. These individuals should indeed be assessed higher premiums.

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For several years, one of the most serious problems to confront consumers was an insurer's quick decision to put risks into the Facility Association they weren't prepared to accept. As a result, the Facility Association became populated

with a large percentage of clean risks. Depopulating the Facility Association of these risks must be accelerated.

Two common situations where people were placed in Facility were those who had not kept insurance on a vehicle they weren't currently driving; for example, while they were ill or taking insurance off a motorcycle that they weren't driving during the wintertime, and when they went back to put insurance on in the spring, they would be put into Facility, and husbands and wives who had a clean record and were living in the same household as a spouse who was a bad risk.

Bill 164 strengthens consumer protection by only permitting insurers to withdraw from the business of a class of insurance in accordance with specified provisions in the legislation. As well, amendments contained in section 12 of Bill 164 which provide for regulation-making power to govern the circumstances "before an insurer declines to issue, terminates or refuses to renew a contract of automobile insurance," or "prescribing grounds for which an insurer cannot, in circumstances specified decline to issue, terminate or refuse to renew a contract of automobile insurance" are invaluable consumer protections. We ask that the government move forward to pass regulations specifying these circumstances.

Further, section 18 of Bill 164 states that any ground for declining to accept the risk or termination or refusing to renew a contract must be filed with the commissioner, who has the ability to hold a hearing and may prohibit the use of the ground as it is subjective, arbitrary, bears little or no relationship to the risk to be borne by the insurer in respect of an insured, or is contrary to public policy.

Once again, these provisions unmistakably assist the consumer in that the commissioner is able to keep a tighter rein on insurance companies' practices and procedures.

In analysing the proposed new compensation system, it is once again appropriate to reiterate our caveat to any system chosen: It must provide equitable compensation for those injured as well as be affordable and offer future containment of premium increases. The government has a strong responsibility to ensure that both these objectives are met, particularly as the purchase of insurance is mandatory in Ontario under the Compulsory Automobile Insurance Act.

Bill 164 raises the weekly income replacement ceiling from \$600 to \$1,000, with the benefit being paid on 90% of net income instead of the 80% of gross income, with the minimum benefit not less than \$185 and the maximum benefit not greater than \$1,000 per week. The actual effect of the change for a typical wage-earning family is a reduction in benefits.

For example, someone earning \$1,000 per week gross would receive \$800 per week tax-free under the OMPP, assuming that person had purchased the optional coverage which is available under the OMPP. The same person, assuming she or he was a higher-income earner in a two-income family, would receive \$634 per week under Bill 164, a reduction of \$166 per week. A person earning \$600 per week gross would receive \$480 under the OMPP. Under Bill 164, that person would receive \$430 per week.

It is fair to say that the higher-income earner was in a more favourable position under OMPP because he or she

was not paying tax at his or her higher-income bracket, with an 80% gross weekly income tax-free benefit. However, this change affects claimants at varying wage levels, not just at the highest end.

However, by increasing the maximum weekly income replacement benefit to \$1,000, retired persons, along with low- or no-income earners, would subsidize higher-income earners. In addition, the low-income earner would never qualify for the maximum wage loss benefits. In the OMPP system, higher-wage earners had the option of purchasing higher benefit limits to suit their economic circumstances and were responsible for this additional premium cost.

The indexation of benefits is a positive addition and one that we argued in favour of before Bill 68 became law.

Bill 164 removes from the not-at-fault most seriously injured the right to seek recovery in tort for economic losses, including the loss of future income, which incorporates income-earning potential over the span of a career. What Bill 164 does give is an income replacement benefit which is calculated on the person's gross annual income from employment at the time of the accident and is indexed yearly to the consumer price index. The Hamilton Automobile Club continues to support the right of those seriously injured or the families of those killed to sue for economic loss. We are not in favour of an income-based death benefit capped at \$200,000.

The reimbursement for funeral expenses up to \$6,000, up from \$3,000, brings it more in line with the true out-of-pocket costs of funerals today.

We argued strongly at the public hearings into Bill 68 that there should be no caps on rehabilitation or long-term care benefits. We are pleased to see that Bill 164 removes these caps. We support the government's appointment of a task force to develop standards for cost control of rehabilitation and long-term care. Predictability and certainty in the setting of premium rates is critical to the containment of future insurance costs. This is necessary to ensure that the insurance product remains affordable.

We support the right of those more seriously injured to sue for pain and suffering, loss of enjoyment of life and the loss of care, guidance and companionship under the Family Law Act. Again, I reiterate that HAC was opposed to the unnecessary restrictiveness of the OMPP threshold.

We issue one note of caution with respect to the indexed deductible of \$15,000 or \$5,000, depending on the head of damage, and that is the possibility of an award being inflated by the amount of the deductible. If this were to occur, all gains made under Bill 68 to control insurance premium costs would be lost. In past insurance hearings, the judiciary has gone on record stating that "juries properly instructed would not simply add on the amount of the deductible," and that judges would not do so either.

With assurance that lawsuits would not be inflated by the amount of the appropriate deductible, the HAC would support this system. It is critical to the control of claims and to the continued affordability of the automobile insurance product that the less serious claims be eliminated.

Clearly we are not in support of a return to the tort system in the form that existed prior to Bill 68, with its spiralling costs and inefficiencies. Motorists simply cannot

afford that again. During the course of these hearings we have heard varying reports of what premium increases could be with the implementation of this new system and, in the longer term, the use of a uniform risk classification plan.

It is imperative that the government reconcile the large discrepancies that exist between the analytical actuarial reviews conducted to date as to the anticipated costs of the new system. In this economic climate particularly, motorists will not be able to absorb any sizeable premium increase and any increases, if necessary, must be contained at a modest level.

I would not end without stating the Hamilton Automobile Club's support for safer roads in Ontario. We heartily endorse programs that will achieve greater safety on our roads. Since early 1990, we have advocated that a graduated driver's licensing system should be implemented in Ontario. We have further advocated in favour of periodic testing of all drivers, regardless of age. Safety on Ontario highways is one of HAC's highest priorities, and we will make every effort to assist in programs that will reduce traffic accidents and their coincident cost.

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The Chair: Three minutes, Mr Owens.

Mr Stephen Owens (Scarborough Centre): Thank you, Ms Newell, for your excellent presentation. I think that your brief outlined in a very succinct and supportive manner issues like the uniform classification system and why it's our view that people's insurance rates should be based on a driving record rather than on a variable like whether they're married or they're over 25 or they happen to be a female.

Your brief also outlined again the reasons why the Facility Association needed to be depopulated and showed that the reasons for people being shoved into the Facility Association have very little to do with their driving experience.

I also appreciated your support on the indexation of benefits, the consumer protections that we've built into the bill with respect to the withdrawal provisions and the increase in funeral expenses.

Your last comment, with respect to road safety, is one that we heartily agree with, and we will be working with the Minister of Transportation to ensure that the road safety initiatives that have been released are put into effect as quickly as possible.

Your comment with respect to the costs and some of the—you didn't use the word "fearmongering," but I'm going to use it—fearmongering that's going on out there with some of the wacko predictions of 20% and upward is quite correct.

I think the industry has indicated that it's willing to work with the government, and the minister has been working behind the scenes with the insurance industry to express our concern about costs and to ensure that people get the kinds of comprehensive benefits they need and that they are delivered in as fast a manner as possible. I'll turn the floor over to the next questioner.

Mr Mancini: I appreciated the brief presented by the CAA Hamilton. I want to make sure I understood your brief correctly, that you do favour increased benefits but at

the same time you're quite concerned about the cost and the premiums that increased benefits might have, the effect it might have on your members. Is that correct?

Ms Newell: Yes.

Mr Mancini: So you're not for a holus-bolus increase in benefits without a wary eye on what that's going to do to the annual premium rate, is that correct?

Ms Newell: That's right.

Mr Mancini: I disagree entirely with the parliamentary assistant who called Coopers and Lybrand wacko, who called Wyatt wacko.

Mr Tilson: So do we.

Mr Mancini: I'm not sure if he was referring to Mercer, which is the government's own New York-based consultant, as wacko because Mercer has indicated that the minimum increase in rates under Bill 164 is almost \$200 million across the province. Let me put that in a little bit of perspective for you. If we accept only the government's figures and not the—and I quote the parliamentary assistant—wacko Coopers and Lybrand people and wacko Wyatt people, if we accept only the government's criteria for increased rates, \$200 million is more than the government gave to all of the hospitals for their increased expenses in 1992. I just want you to keep that in mind.

The other point I'd like to make with you is the gender and age factoring in automobile insurance. I'm assuming that many of your members are senior citizens and many of your members are women. Is that correct?

Ms Newell: No. Our population is very evenly divided, under 45 and over 45. So we have two very distinct groups, and it's not mostly senior.

Mr Mancini: Are you familiar with the United Senior Citizens of Ontario?

Ms Newell: No.

Mr Mancini: They are an organization of and for senior citizens, with over 300,000 members, and this is what they had to say about Bill 164. They presented a brief to this committee and in their conclusions they said: "We can only see the following solutions to our present dilemma: Do not implement Bill 164. Reduce the benefits in Bill 164 in order that rate increases will not be necessary to it." They made other recommendations also. You're aware that most senior citizens are on limited fixed incomes?

Ms Newell: Fixed incomes, yes.

Mr Mancini: Do you think it would be fair to sock them with a \$200-a-year rate increase?

Ms Newell: No. I would say that across the board for any group, let alone just the seniors.

Mr Mancini: Do you agree with me that most women in our society earn less than men?

The Chair: Answer that and I've got to go on to the next questioner.

Mr Mancini: It's statistically proven.

Ms Newell: Yes.

The Chair: Mr Tilson.

Mr Mancini: —rates will go up higher—

The Chair: I'm sorry, Mr Tilson.

Mr Mancini: Thank you for your help.

Mr Tilson: Thank you very much for your presentation. We in the opposition and you in the public have been sitting around since this bill was first introduced, trying to figure out why in the world they've done it. Why did they do it? Any system, I think we all acknowledge, takes a while to work out. Why did they just jump in? Was it just a political haranguing up in Honey Harbour, as has been suggested?

We may never know unless Mr Kormos has his way, but I guess what I can only assume is that the real reason they did it was to reduce rates. It surely can't be because of rights, because innocent accident victims have less rights. I can only assume it must be because of rates, yet the insurance companies, the wacko insurance companies of course, as Mr Owens has described them—all those people are wacko according to Mr Owens—but all of those people are saying rates are going to go up by 20%, so that doesn't make any sense either. So it gets to me.

You made one comment which sort of jumped out at me as you were talking. It was almost an aside towards the end. If it is because of rates—and that was the whole issue of the deductible and you implied and lawyers have been suggesting it, insurance companies have been suggesting it—but you implied that with this \$15,000 deductible, the courts, juries and whoever are going to be bending over backwards to try and help people who are being penalized with this \$15,000 penalty. Of course, you can pass all kinds of legislation saying they can't do that, but we all know what the legal system is and the legal system is designed to help people.

Ms Newell: I will make the comment—

Mr Tilson: If I could just finish with my question: From your organization's perspective, how real is this fear that the whole principle of the \$15,000 deductible will become a joke and in fact costs will become more astronomical than these people had ever dreamed?

Ms Newell: That would be a major concern because if in fact it's inflated and although the judges have all been on record in the previous hearings saying they would never do that—but if that in fact is what happened in practice, then the whole system would simply be reverting back to the old tort system and we would be in real trouble premium-wise and cost for everybody.

My recommendation would be to look at a less-restrictive threshold also as an alternative, because clearly we want more people to be able to sue. The 5% that can sue now is not appropriate. If we could get 15% through a threshold to sue, that would be much more appropriate. We don't want to see the right taken away to sue for loss of future earnings and their economic loss.

The Chair: Time has run out. I'd like to thank you for coming before this committee. The last accident I had and had to call the CAA, I locked my keys inside my car. I can say it here, but I couldn't say it in 151 because my wife would know it. Thank you for coming before this committee.

Ms Newell: Thank you very much, Mr Chairman.

Mr Harnick: You've got a lot of guts, Ron.

The Chair: She doesn't read Hansard, so I'm lucky.

Ms Newell: Yes, I do.

The Chair: No, my wife doesn't read Hansard.

Mr Kormos: We're sending her this volume.

The Chair: She had done it three months before, so I couldn't say anything.

Interjection: All the more reason it's in. Now she's really going to be mad at you.

The Chair: All come to order now.

1130

VICTIM'S VOICE

The Chair: The next one is Victim's Voice, Mrs Smith. I'll guarantee you thought I would give you a hard time, but it's the committee members. I'll make sure they don't put you on the stand and fire the questions one after another. Feel at ease. You may begin.

Mrs Patricia Smith: Thank you. My name is Patricia Smith. I represent Victim's Voice. Sitting with me is Mrs Pat Leemet, who has provided you with a copy of her story to take with you to read, and Christina Butson, who is a victim. Mr Kormos, of course, needs no introduction from me. I just met all these people today for the first time, although I've talked to both of these ladies by telephone.

The Chair: Can I jump in for a minute. Mr Mark Morrow is sitting on the end there and I didn't recognize him. I don't believe he was sitting there when I recognized some new members, and Mr Abel also. Carry on.

Mrs Smith: Obviously, there is a need to reform the current auto insurance bill. However, the very people who have pointed out the need for change are the ones who are going to be neglected in the new bill. I would hope the members of this committee will pay particular attention to the plight of the victims of the current legislation and consider appropriate amendments as they examine this bill.

I am grateful for the opportunity to address this committee and to share with you some of the overwhelming problems faced by the victims of an auto accident.

Initially, at least, the prompt attention of the insurance company seems reassuring when the victim is understandably preoccupied with the pain and trauma of his or her injuries. The harsh and cruel realities of the OMPP, especially to the underemployed low-wage earner, no matter whether temporary, quickly becomes evident. His or her entire claim is based on what he or she was doing right at the time of the accident. The injured person then faces the difficulty of getting appropriate rehabilitation, funding for which is made available or terminated according to the arbitrary decision of the insurance company.

The insurance companies and their paid consultants dictate the facility for and the duration of treatment and funding. A person who sustains serious, permanent, ongoing injuries but does not meet the threshold is abandoned, first by the insurance industry and second by our government's failure to respond and protect.

I speak on behalf of Victim's Voice, a group of people connected by similar catastrophic injuries and ongoing

disputes with the insurance companies. We share similar, almost identical problems dealing with the insurance industry, and those of us who are parents are left to deal, day to day, with the emotional and physical pain of the accident victim. Indeed, we also bear the financial responsibility of caring for the victim after his benefits have been terminated.

The accident victim wants to move forward, wants to take control of his or her life and regain independence. To achieve that, we rely on the government to make appropriate changes to the legislation. Because I can speak with absolute certainty of accuracy about my son's misfortune, I will present his story as an example of the devastating realities of no-fault insurance.

In October 1992, Mr Tilson, the member for Dufferin-Peel, stood in front of the House and said, "I would like to hear some of the stories that were caused by the OMPP." Those words suggested to me that perhaps it was not too late; perhaps you would listen to real people.

On September 29, 1990, our 21-year-old son David was a passenger in the back seat of an automobile, wearing his lap belt, when the driver lost control of the car, collided with the rear of the car ahead, then went off the road and hit a tree.

David's most serious injury was a two-level burst fracture of the spine. He underwent surgery for a lumbar fusion with bone graft and fixation with metal rods and screws. Moreover, a significant amount of torn and dead muscle was removed from his lower back.

It is impossible in the time I have to give you a complete picture of David's suffering and pain, but I can tell you that morphine injections offered only partial relief. David came home wearing a Jewitt brace, determined to work to ensure his complete recovery. At the time of the accident, David was working at a local gas station due to a layoff at the steel plant he worked at previously.

The at-fault driver's insurance company agreed to pay for David's medical needs, his income benefit of \$224 per week, and it paid my wages to stay at home and be the primary care giver.

In March 1991, the insurance company hired a private consulting company to assist David with his rehabilitation. David was sent for therapy in May 1991. In spite of great pain, David worked hard to complete the demands of his program. We—that's David, his father and I—believed that the pain, headaches and profound fatigue were all a part of his recovery. David was discharged from the rehab program in June 1991 as he was fit to return to work. The insurance company terminated his funding and closed its file.

David was excited about returning to work, any work, anxious to be back to normal. David tried two different full-time jobs, but could not keep them as the physical demands of the jobs created intolerable, debilitating pain. Since September 1991, David has continued to work two nights per week at a gas station pumping gas even though his doctors have stated this is not the type of work he should do. He earns \$90 a week.

David is currently waiting on standby to return to hospital for more surgery to have his rods removed. Even though the insurance company is aware of David's ongoing medical problems, it refuses to reopen his file.

Mediation failed October 26, 1992. The insurance company refused to settle the dispute based on its report from the rehab facility from June 1991.

David is 23 years old. He continues to live at home. Quite apart from the physical and psychological pain he experiences every day, he knows he faces an uncertain future, medically and economically. At 23, David lives a more sedentary lifestyle than his father and I. His doctors report that David has not plateaued. In other words, it is too soon to tell what his functional abilities will be. Knowing this, having strongly worded letters from doctors, the insurance company still refuses to reinstate even a partial weekly indemnity. They refuse to fund occupational or vocational rehabilitation.

Our next option is arbitration. David earns \$90 per week. How does he pay a lawyer to represent him, because he dare not go into arbitration alone? I ask you, where do David and other victims go for help? Who can act as an advocate for the victim?

Since June 1991, I have made hundreds of phone calls looking for the answers. This is a two-and-a-half-year-long story that I've tried to deliver in a very short time. I have tried to identify some of the problems experienced by accident victims. The insurance companies and their paid consultants can and do ride roughshod over the victims.

The accident victim has no advocate. The threshold precludes most victims from seeking compensation. The injured victim serves a life sentence for an accident that was not of his making.

I'm sorry that Mr Kormos was not granted time to speak before this committee since he champions the cause of victims. I've asked him, therefore, to conclude my brief.

Mr Kormos: Thank you, ma'am, and let me applaud Victims' Voice and the courageous and tenacious people who have formed that group and carry on what must seem like an increasingly frustrating struggle, but a battle on their part—the proverbial David and Goliath—which is one for fairness and justice, and certainly what more could people ask for in a province like Ontario?

I indicate to this committee and to people who might be listening that my experience in provincial politics is really somewhat brief. I was elected, as some know, in 1988 after Mel Swart, who served Welland-Thorold and this province, this country I tell you, for 13 years as an MLA, was forced to retire because of ill health. No one could have been prouder than me to have served in that small opposition caucus of 19 people, and to have had as mentors and leaders people like Mel Swart, Donald MacDonald, Jim Renwick and Pat Lawlor, and oh, so many others, people like Marion Bryden, people who worked so hard for lifetimes with really the most modest of pursuits, some justice and fairness for people who perhaps weren't quite as capable of speaking for themselves.

Since I was 12 years old working in New Democratic Party campaigns, I recognized that the policies of the NDP certainly didn't always acquire universal approval, but the respect that the communities in this province, in this country, had for the CCF and the NDP, for the leadership of people like Tommy Douglas and others, that respect was shared by Conservatives and Liberals and non-partisans alike.

It was clear, was recognized by so many, that, well, the NDP may never fulfil its goal of serving as government but may be relinquished to the opposition benches; it was recognized none the less that the NDP performed a vital role in the democratic institutions that have developed in this country and in this province, and that, again, was to speak out for the people whom on occasion the other parties perhaps didn't speak loudly enough for.

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The corporate world had its spokespeople in partisan politics, there's no two ways about that, and I don't deny them those spokespeople. But who could have overlooked, who could have not understood, who could have not identified New Democrats and CCFers with the victims, with the little people, with the people who were facing big institutions and who needed help—yes, with the Davids.

I was similarly proud in 1990 when, yes, that goal, that seemingly quixotic goal of New Democrats, of social democrats, was achieved, of forming a government, for the first time in this province's history. And I tell you, if you think for a minute that it was only New Democratic Party members who voted for New Democrat candidates and created that election victory, you're sadly mistaken. I know that not everybody voted for New Democrats—I know that full well—but even among those who would not accept or would not endorse NDP policies—and what could have been more closely identified? Surely there wasn't a person in this province who didn't understand that New Democrats stood for public auto insurance, and not public auto insurance for the sake of public auto insurance but for public auto insurance because it was perceived as a vehicle to preserve and reinforce the rights of innocent victims.

While people may not be familiar in this province with some of the more esoteric of NDP policies, surely there isn't a voter who could not have been aware of our position, as New Democrats, as social democrats, as champions of little people, on the rights of innocent accident victims.

If they weren't, they were surely informed of that during one of the most heated debates the Legislature in this province ever saw, and that was the debate over Bill 68, where the two opposition parties, the Conservative Party, Bob Runciman being its spokesperson then on the issue of auto insurance, and the New Democratic Party—17 members in the Tory caucus; 19 members in the New Democratic Party. By God, the government was one of the largest governments this province has ever seen. They were so numerous that they occupied some of the opposition's side.

These two most modest opposition parties took on Bill 68, because in their views, that is, in the view of the Conservatives and in the view of the New Democrats, and quite frankly in the view of a whole lot of Liberals too, the attack on innocent accident victims that was inherent in Bill 68 was intolerable.

At the same time, we recognized that there was a philosophy, there was an ideology behind the threshold Bill 68. There clearly was a constituency that was calling out for a threshold. The insurance industry itself articulated that well.

But we fought, and surely that fight, those debates in a democratic forum which didn't restrict members' speeches to

30 minutes, brought the issue to the attention of every single member of this community, this community of Ontario; I tell you that.

And proud? I was oh, so proud of Bob Rae and New Democrats and their friends in September 1990 when we formed that government. I saw oh, so many who hadn't served in the Legislature before, but notwithstanding that, a collection of talent and skills and insights and the commitment to a new way of doing things.

Again, notwithstanding that there were a whole lot of people who didn't vote for New Democrats, even among those people there was a new optimism. There was hope that this government, this New Democratic Party government, would show Ontarians, would perhaps show the rest of Canada, that government doesn't have to be the way that it's always been.

My pride in September 1990 was insurmountable and, oh, was I disappointed at Honey Harbour, one year to the day of our election victory, that the Premier would abandon, flee from our commitment to public auto insurance? Of course I was. I confess I was perhaps even angry, but I obtained some solace from the fact that Bob Rae and the New Democrats were ever so clearly on the record as being in support of the restoration of the rights of innocent victims to full compensation and their right to access the courtrooms, if need be, to obtain that justice.

Some of you know I'm a lawyer. I tell you that. Now, mind you, I'm a criminal lawyer, not a personal injury lawyer, and as a criminal lawyer I practised in the courts and, quite frankly, having spent almost five years now in the Legislative Assembly, the practice of criminal law was far better preparation for dealing with politicians than any personal injury work ever could have been.

But I tell you, I'm well aware of and sensitive to some of the imperfections, some of the inadequacies of our justice system—most of us are—but there seem to be some peculiar arguments being made. Somehow the courtroom is a roll of the dice. It seems strange for government members to use that reference after the Premier would seem to okay and put the stamp of approval on gambling casinos.

Somehow the metaphor of a roll of the dice is used about courtrooms, yet at the same time the government purports to have preserved for innocent victims the right to use courtrooms to determine compensation for pain and suffering. How it strikes me is some pathetic sucking and blowing taking place in the arguments that are being used to peddle this particular bit of legislation.

We've betrayed the trust that Ontarians put in us. We've betrayed the innocent victims. We've launched an attack on the people whose futures are already stolen from them by a drunk driver or a careless driver or a reckless or negligent driver. We tell them no. We New Democrats say, "No, the courtroom doors are locked, bolted and barred to you." Justice in the courtroom under a New Democratic Party government is to be preserved—what?—only for the corporate entities and the wealthy and the powerful? That's what Bill 164 does.

I mention the constituency that sought, that advocated, that pleaded for threshold. I didn't agree with them, but they were there. Who are the advocates of Bill 164? I've

travelled with this committee across Ontario this week, and not a single submission in support of this legislation. I've read and witnessed the hearings the week before in Toronto, and barely a single submission in support of this legislation.

The government can't come up with a single letter, a single phone call, a single note from any member of this community in Ontario who would ask for—what is this government going to give them? Who would have thought New Democrats, the legacy of this government is going to be, “Yes, it will be higher premiums.” That's not fearmongering, that's a reflection on the history of the relationship between the auto insurance industry and government in this province: Higher premiums for drivers and reduced benefits for innocent victims.

While people, desensitized, have come to expect some puffery on occasion, perhaps even some hyperbole from governments, lies and deceit and dishonesty are never tolerable from a democratically elected government. I tell you, it is unconscionable, and why do I say that? Because really this government is engaged in a heated selling job, one that would make Procter and Gamble blush, of a package of legislation that is ill conceived, poorly written, has no ideology or philosophy providing direction for it.

That selling job is unprecedented in the deceit and dishonesty contained in the little blurbs that are drafted up by the little spindoctors and the little media minions who travel with this committee, twisting arms of the press people, TV persons, print and radio media, pleading with them to please give the government spokespeople a 15-second clip.

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Dishonesty? Well, I'll tell you, there's been a persistent effort to try to explain Bill 164 as containing higher benefits. I tell you, it contains lower benefits. The auto club and other presentations have already revealed the fallacy, the dishonesty, the great lie in discussing higher benefits.

Ninety per cent of net is the formula for wage replacement in Bill 164. If you wonder where that comes from, some of you who have had to struggle with the Workers' Compensation Board will recognize that formula because it has been plagiarized right from workers' compensation. If you like workers' compensation, you'll love Bill 164, people. What's the status quo? The status quo under Bill 68 is 80% of gross. The bottom line is that means the vast majority of injured people will receive lower benefits under Bill 164 rather than higher.

If you want to take a pencil and a piece of paper and figure it out, let's figure it out. It was discussed at the rate of \$800 a week, because of course there's this spin of the \$1,000 cap instead of \$600. Let's take a person earning a gross weekly pay of \$800. For those people in my riding who are fortunate enough to still be working, \$800 a week is a not unattractive income. On the basis of the current formula of 80% of gross, 80% times \$800 is \$640. Oh yes, there's a \$600 cap, which means it's reduced to \$600 per week tax-free. Under Bill 164, that same working person, woman or man, will receive 90% of net—and I've used a most conservative deduction—leaving a net pay of \$600, and 90% of that is \$540.

Should you be so unfortunate as to be injured, you can avail yourself of the \$1,000 cap when your weekly income is somewhere in the range of \$1,750. Who would have thought from New Democrats? What that means is that the working people, the poor, the middle-income will be subsidizing the rich and the very rich, the very thing we attacked to vehemently when previous governments dared to do that.

The fluff—no, the dishonesty—about access to courts for pain and suffering awards with a \$15,000 deductible: What that means is that for every successful litigant, it's the innocent victim who's going to be providing a kick-back of \$15,000 to the insurance industry each and every time someone is injured. Bill 164 is a victory of the guilty over the innocent.

When I was joined by Phil Edmonston yesterday in Ottawa, our only federal member from the province of Quebec, from the riding of Chambly, he mournfully spoke of how he and other New Democrats, real New Democrats, fought the no-fault system in Quebec some 15 years ago. They lost that battle. There wasn't an NDP government. They expected far more from this government in Ontario and so do the people of this province.

I'm concerned. I hear today from Mr Owens, the parliamentary assistant, that the minister is engaged in some behind-the-scenes dealing with the insurance industry. I query, is it behind the scenes or under the sheets, Mr Owens? I'm concerned about the backroom deals, because once again, whether people supported all the things New Democrats did, they believed clearly that New Democrats were opposed to the backroom dealing that had been so frequently the subject of criticism from Mel Swart, Jim Renwick, Donald MacDonald and others like them.

I say the people of this province voted for a new style of government, one that was open, one wherein the deals weren't struck behind the scenes, one wherein the freedom of information act wasn't used arbitrarily as this government has used it to deny access to the \$4 million to \$5 million worth of research that's been done on costing. I challenge this government to make that information available to every member of this committee, every member of the Legislature, every member of the taxpaying public in this province who paid so dearly for it so that this debate could take place.

Yes, higher premiums and lower benefits. That's not to say that some of the reforms contained in the no-fault portion of Bill 164 aren't welcome. It's been pleasing to hear even previous members of the last government acknowledge that Bill 68 as drafted may well have left some room for some improvement.

It was New Democrats, joined by their Conservative counterparts, who forced the hand of the government to increase the cap from \$450 to \$600. Remember? Indexation—of course. Improving the lot of people who require and have a right to vocational and long-term rehabilitation—of course. But that's not the guts, that's not the thrust, that's not the intent of this legislation. That could have been done in a matter of mere weeks with the cooperation of all three parties in the Legislature.

This bill is wrong. This bill is an attack on innocent accident victims. It's an attack on drivers. This bill will

only serve to enhance and increase the cynicism of voters, of members of communities across this province who have learned to mistrust government greater than ever before. I tell you, it's a cynicism that's been earned by governments, this government included.

I plead with my colleagues, many of whom I know mean well, some of whom very strongly disagree with what's being done but are afraid to say so, to do the right thing. I plead with them to fulfil their obligations to their communities, which entrusted them with one of the greatest trusts you can ever have in a democratic society. I plead with them to recognize that rather than muzzling members of the Legislature, the community is calling out for members of legislative assemblies, this and others, to be freer and freer in their ability to speak out on behalf of constituents. I plead with them to reject a package of reforms that's based on lies, a package of reforms that's based on ill-conceived assumptions and a package of reforms that constitutes a complete betrayal not just of what we stood for but of what people expected from us.

I say that as a New Democrat. I've never before in my life been stronger as a New Democrat. I believe the sort of policies, insights and attitudes that New Democrats have spoken about for so long are all that much more needed to overcome these exceedingly difficult times. Now is not the time for us to become the enemy. Now is the time to be true to our commitments, to our convictions. Now is the time for us to be courageous and now is the time for us to speak out.

I say in closing, before I give the floor to Mr Morrow, I'm concerned about the misconceptions that have been generated about this bill and legislation. I say to you, Mr Owens, as parliamentary assistant, and any of you who would want to defend this legislation that I will join with you in debate in any forum, anywhere in this province, in any television studio, with any audience, a debate that should be far-reaching and wide in scope and one that I encourage members of the opposition to share in, be it Mr Harnick, Mr Tilson or members of the official opposition. I say that to you. Show us the courage of your convictions. I'm prepared to show you mine. Go ahead, Mr Morrow.

Mr Mark Morrow: Thank you very much, Mr Kormos. Mr Chair, can you hear me from this point?

The Chair: You've got two minutes.

Mr Morrow: Thank you. That's about all I need.

First, let me say there are parts of this bill that I do feel are good—rehabilitation and long-term care—but that's not why I'm speaking today.

I'm speaking about the betrayal of the 35,000 NDP members to whom we've always promised public or driver-owned auto insurance. I'm speaking about the betrayal people in my riding of Wentworth East feel after I campaigned so vigorously for driver-owned auto insurance in the last election. I'm speaking about the betrayal this government has given to the people of Ontario, when for so many years we supported publicly owned or driver-owned auto insurance. It's nothing more than a straight denial, a straight betrayal.

I'm depressed. I'm discouraged. I'm very upset with what I see. How do I go back to my riding, how do I go

back to the people of Wentworth East and say, "Well, we just flipped again"? It just doesn't make a lot of sense.

To the six government members on this committee, you all ran on a very strong driver-owned or public-owned auto insurance campaign in 1990. How do you answer the people in your ridings? What do you say to them?

I think that's all I have to say, Mr Chair.

The Chair: The time has run out. I'd just like to make some points here. Mr Kormos was recognized by the Chair in committee room 1 and in room 151, when he came into the room. It's not that he's been muzzled. He hasn't put his hand up and asked the Chair to have any time.

Mr Kormos: Oh, wait a minute, Chair.

Interjection: That's completely out of order.

The Chair: No, it's not. What you've done is muzzled this committee right now because you couldn't ask any questions.

Mr Kormos: Stop being a pathetic apologist. You're an embarrassment.

Mr Harnick: Mr Chair, with unanimous consent, I think we should stay here until 12:30 and we can ask all the questions we want.

Mr Kormos: Agreed.

Mr Harnick: The only thing that will happen is that we'll miss a half-hour of our two-hour lunch. I'm asking for unanimous consent based on what you have said. I'm not that hungry. I'm sure you're not that hungry. Let's stay here until 12:30.

The Chair: The one thing I'm going to say here is that each group has had half an hour. If I go to an hour—I'm directed by this subcommittee. We made the rules before we even wound up coming out on the road.

Mr Harnick: Mr Chair, on a point of order: I'd just like to ask for unanimous consent based on what you have said and the denial of the opportunity to ask questions. We have two hours to do nothing. My point of order is to ask for unanimous consent to stay here until 12:30 so we can ask all the questions we want.

The Chair: That is not a point of order. I'm not going to ask it because we've already been directed by the subcommittee. We get out on the road and you want to change the rules.

Mr Harnick: I'm asking for unanimous consent.

The Chair: Is there unanimous consent?

Interjections: No.

Mr Harnick: Let's have a recorded vote.

The Chair: No, a vote is not necessary here. What I'm saying, Mr Harnick, is that Mr Kormos knew to leave time at the end of the presentation for members of the committee to ask questions.

Mr Harnick: You've got two hours. Go ahead and start asking questions. Is there anybody here who objects to spending a little extra time?

The Chair: Cut the mike. This committee is recessed until 2 o'clock. Thank you for coming before the committee.

The committee recessed at 1201.

AFTERNOON SITTING

The committee resumed at 1358.

The Chair: Good afternoon. We'll resume the hearings for the standing committee on finance and economic affairs on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. This young lady has a message for anyone who needs interpretation. Go ahead and identify yourself.

Mme Sylvie Soth: Bonjour. Je suis Sylvie Soth, l'une des interprètes. Je voudrais vous signaler que nous avons un service en français ; vous pouvez suivre les délibérations du comité. Il faut s'adresser ici pour obtenir un récepteur. Merci.

The Chair: Thank you. I would like to recognize the mayor of Grimsby in the back there, his worship Nick Andreychuk. If you need interpretation, she'll interpret for you, Mr Andreychuk.

Interjection.

The Chair: He happens to be with Dominion. My wife said, "Be nice to him, because that's where our insurance is."

Mr Harnick: That explains that he's against it too.

CO-OPERATORS GENERAL INSURANCE CO

The Chair: The first group to come forward is Co-operators insurance financial services, Guelph. Welcome to the standing committee on finance and economic affairs. We have one half-hour. In that period of time, if you've been here this morning, the members like to have some time, if possible, at the end of your brief to ask questions. We will be starting off with the Conservative Party asking questions this afternoon. Go ahead, and please identify yourselves for the purposes of Hansard.

Mr Dan Thornton: I'm Dan Thornton, senior vice-president with Co-operators. With me are Kathy Bardswick, regional vice-president, and Bill Tait, claims manager from here in Hamilton. We appreciate the opportunity to comment on the present state of auto insurance in Ontario and to highlight our concerns about Bill 164, and then we welcome the opportunity to respond to your questions.

The Co-operators Group Ltd is a cooperative of 35 member organizations from across Canada who, through their membership structure, involve more than four million Canadians. In Ontario our members include the Ontario Federation of Agriculture, Gay Lea Foods, Credit Union Central of Ontario, United Co-operatives of Ontario, Co-operative Housing Federation of Canada, the Canadian Brotherhood of Railway, Transport and General Workers and the United Steelworkers of America, district 6. Combined, these organizations have a membership base of some 2.3 million people.

In Ontario we provide auto insurance to about 500,000 drivers and insure some 250,000 homes, farms and businesses. We provide these services through 150 offices, some 300 full-time sales representatives and 1,700 staff. These offices and staff are located in virtually all rural and urban population centres in northern and southern Ontario.

With more than \$1 billion in assets invested in Ontario, our general and life insurance operations rely on earning profits to finance continuing growth.

First, let's look at the current system of insurance in Ontario. The Ontario automobile insurance consumer has enjoyed several years of rate stability now while companies are seeing, finally, the end of disastrous losses. For the Co-operators, the two and a half years of working with OMPP have been a positive experience. OMPP has allowed our staff to deal directly with policyholders in providing benefits, instead of attempting to settle claims with other companies and their insureds in an adversarial environment, as was the case in the prior system.

Since the introduction of OMPP in June 1990, we have handled approximately 150,000 claims for vehicle damage. Consumers have welcomed the change in which they deal with their own insurer, where we can arrange for repair or replacement directly, and the consumer does not have to get estimates or deal with another motorist or his insurer. OMPP has simplified the system for consumers. Since we deal only with our own customers, we have experienced a 20% reduction in the number of vehicle damage claims we process compared to the previous system.

Consumers are sensitive to the fact that following an accident, their premium would increase only to the extent they were at fault. Allocation of fault for rating purposes is simplified through use of established charts, and we provide the opportunity for the consumer to question each allocation.

We have handled some 28,000 OMPP accident benefit claims. We have developed our capabilities to deal with injured policyholders, with an emphasis on meeting their needs for both compensation and rehabilitation—a focus on rehabilitation, not retribution. Only 125 of our claims have required mediation, and only five required arbitration services.

We have recorded 2,500 injury liability claims, an 85% reduction from the number experienced in a similar period under the old system. The claims dollars formerly directed to these liability claims have been redirected to provide more benefits for more people under accident benefits.

Prior to the introduction of OMPP, Ontario auto insurance was a losing proposition. From 1987 to 1989, the Co-operators lost some \$60 million on Ontario auto insurance after investment income.

We now believe that OMPP premiums are adequate. There is no pool of excess profit to absorb any increase in benefits, but it will take several years to determine its ultimate cost. It is still too early to determine with certainty the average length of disability period, the long-term cost of other benefits and the effectiveness of the threshold.

Since OMPP began, we and the industry have advocated several improvements, such as fairer treatment of self-employed, enrichment of certain benefits, and controls on the extent of benefits. These suggestions for obvious practical and needed improvements have been passed over, while debate on Bill 164 has continued for over a year. In fact, the minister introduced 164 long before a report on

how OMPP was working, which was required by Bill 68, was released.

Above all, we are disappointed in the lack of material progress in road safety. The first line of attack on the cost and the human suffering of automobile accidents should be to reduce their frequency and severity. It is government that controls the environment in which accidents occur, by its management of driver control, traffic laws and roads. The concept of graduated licensing is being adopted in Nova Scotia, but not yet in Ontario. We've seen proposals for the creation of a road safety agency, but not substance.

Our presentation here today will focus on three of our greatest concerns with Bill 164: cost, complexity and business confidence. You have received the actuarial studies from the government—the Mercer studies—and the insurance industry's Wyatt studies, and while we believe that the Wyatt study more fully portrays the cost impact of the legislation, both of these studies indicate great uncertainty as to how much 164 will cost consumers and companies. The bottom line is that Bill 164 and its regulations will cost more. We do not believe that consumers should have to pay more for their auto insurance at a time when they can least afford it and when there seems to be satisfaction with the current system.

Bill 164 proposes three changes to the benefit system which will result in significant cost increases to insurance consumers, both in benefits and transaction costs.

The first is the removal of limits on medical and rehabilitation expenses, which creates an unlimited liability for insurers and reinsurers, running years into the future.

The second is the replacement of a well-defined bodily injury verbal threshold with a monetary \$15,000 deductible. We are concerned that this deductible will not hold, and that damages will be inflated to ensure that claimants receive at least some reward. At minimum, the deductible should include a verbal threshold, so that it is clear from the outset that only certain claims need to be investigated and monitored for potential tort action. But we believe any deductible will result in confusion and frustration for claimants by encouraging them to pursue tort settlements to focus on action against the guilty party but then receive only a part of the compensation awarded them by the courts. We believe claimants are better served by keeping money and effort focused on rehabilitation.

Third is a dramatic increase in accident benefits, both for disability income and death benefits, indexation of these benefits to the consumer price index and frequent reviews to reopen claims reassessments. We are also concerned that companies will experience increased expense for medical and rehabilitation costs for accident victims as the government reduces the scope of insured services provided by OHIP. These will provide further upward pressure on premiums.

We believe that if Bill 164 proceeds, it is essential that the regulations be substantially changed to lower costs.

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As we stated previously, OMPP simplifies the insurance process for the consumer by allowing claimants to deal with their own insurer and reduce the need for legal proceedings. Bill 164 and the draft regulations, however, create a very complex claims settlement environment and,

as a result of increased potential access to the courts, will return claimants to an adversarial tort environment.

The draft regulations attempt to describe compensation for a wide variety of potential losses. Detailed categorization of benefits may create certainty in the minds of those who have drafted the documents but, in fact, create confusion for consumers, claims handlers and adjudicators, and will increase insurance costs ultimately.

Complexity means there will be more errors and inconsistencies in paying benefits. The best of all intentions will not be enough to ensure that benefits are applied fairly for all. Complexity will also invite the development of consultants and advisers to help interpret these regulations, and those folks will expect to be paid for their services.

We believe the draft regulations must be revised so that the emphasis is on a simple process that provides fair, basic and reasonable benefits to all victims of automobile accidents. Specific optional benefits may be tailored for those with particular needs. It's important that consumers, though, have accident and sickness insurance to protect them in all situations. Disabilities result from many causes other than auto insurance, and auto insurance cannot meet all needs.

The withdrawal provisions and regulatory powers of cabinet under Bill 164 paint a picture of Ontario as an environment in which the regulation of auto insurance is susceptible to coercive measures, limiting rate increases and expanding limits in the belief that companies cannot escape. Such withdrawal provisions are an inconvenience to foreign-based companies, but such an environment is a threat to the survival of a domestic company with significant market share.

In conclusion, Co-operators wants to provide quality service to policyholders on a financially sound basis under a system of insurance that makes the best use of our customers' premiums.

The introduction of Bill 164 was premised on the government's belief that large OMPP profits could easily provide much broader benefits at no additional cost to the consumer, and this premise is false.

Bill 164 and the draft regulations have serious cost implications for both consumers and insurance companies and create a complex system of insurance in Ontario. Such increased cost and complexity will result in widespread consumer dissatisfaction. More time is needed, we think, to see the true cost of OMPP.

We recommend that government focus first on specific, concrete action steps to reduce the frequency and severity of accidents.

Finally, we recommend that government work with the industry in a cooperative way to make changes to the existing insurance system which are necessary, practical and affordable for consumers, and respect the efforts insurers are making to ensure that consumers are served by a responsive and viable industry.

That's our presentation. We'd be pleased to answer questions.

The Chair: Okay, thank you. Mr Tilson, five minutes.

Mr Tilson: It was an interesting observation you made that Bill 164 was introduced even before the government made its presentation to the House or its report to the House, as it was deemed by law to do, as to whether Bill 68, OMPP, was working. Even when they did that it was, I think, simply a two-page letter or a one-and-a-half-page letter. The minister said, "Oh, well, The Road Ahead is our report." Again we ask ourselves why they've done this in the first place.

I'd like to ask you a question. We've repeatedly had people come to us on the subject of rehabilitation. The fear with respect to long-term care is that, through Bill 164, everyone's being treated the same and that, in fact, if you had special needs from your home and your lifestyle as you've been accustomed to, through this legislation you'll never be able to achieve that; the benefit coverage simply won't be there.

The fear has been that if there is a publicly funded program available, for example, for the care of a victim, the insurer would simply refuse to provide a preferred form of private care which would restore the victim to the lifestyle and the way he has been accustomed to living. Have you any thoughts on that fear that's been expressed to us, that the insurance companies will simply take advantage of that loophole in the legislation?

Mr Thornton: I'd like to call on Bill Tait, who manages our claims operation here in Hamilton and who has practical and firsthand experience at working with a rehabilitation system, to respond to that.

Mr Bill Tait: I think it is true that the proposed policy would have the insurance companies look towards the public sector for any benefits or any services that are available out there right now before applying insurance limits.

Mr Tilson: The difficulty is, and that's the point I'm making, that even though the programs you may be able to offer might be able to provide that, because these other programs are available, therefore they can't live the lifestyle they've been accustomed to living.

Mr Tait: I think it's still possible even under this legislation that this can happen, but again, the insurance companies would have more control under Bill 164 in terms of pushing people towards the publicly funded system. That being the case, yes, there probably would be some insurers that would do that. But—

The Chair: Sorry, could you speak into the mike? We're not picking you up on Hansard.

Mr Tilson: I have one other question that like your comments on, and then Mr Harnick has a brief question, and that has to do with the subject of cost.

The Chair: Mr Tilson, you have one minute left.

Mr Tilson: Okay. Well, then, ask Mr Harnick.

Mr Harnick: Very briefly, what's the average premium of cars insured by Co-operators?

Mr Thornton: It's in the area of \$800.

Mr Harnick: What would be the average loss cost per car?

Mr Thornton: It currently would be in the order of \$640.

Mr Harnick: Would that include all of your administrative costs?

Mr Thornton: No.

Mr Harnick: So that what would be your net return on a premium of \$800?

Mr Thornton: On an underwriting basis, in terms of a dollar of premium that we would receive, there's virtually no return from that premium dollar. The return is from investment income, as opposed to what I would call operating income.

Mr Harnick: What you're telling me, just so I'm perfectly clear, is that on an \$800 premium, Co-operators breaks even?

Mr Thornton: On an operating basis we would break even and we would get additions to surplus or profit from investment income.

The Chair: I have to go to Mr Owens.

Mr Owens: I'd like to thank Mr Thornton for his presentation. Your company has been involved with our ministry in a number of ways and your former CEO is involved with myself on the co-op review task force, and I appreciate the assistance you've given us.

In terms of the kinds of issues you've directed our attention to in your brief, you talk about, on page 5, the first bullet point, the removal of limits on medical and rehabilitation expenses. At what point, after how many years, do you think it would be appropriate for a company to stop paying benefits to a person who's been injured?

Mr Tait: Perhaps I could answer that. I think one of the proposals that was made by the IBC was that a cap of \$1 million be placed on medical rehabilitation and future care expenses. If you're asking about a time frame that benefits should cease with respect to future care, there are some obvious cases where those benefits shouldn't cease.

Mr Owens: If a person is, for instance, 16 and is involved in an accident and is catastrophically injured, in terms of some of the testimony that we've heard during these hearings, the \$1-million cap would be reached fairly quickly. My question is, what happens to that person and whose responsibility does it become?

Mr Tait: I think if future care benefits were dealt with on a structured basis where those care benefits were purchased up front on an annuity basis, probably the \$1-million cap would look after that 16-year-old claimant.

Mr Owens: In terms of the minister's announcement about a task force, I think on rehabilitation and the \$3,000-a-month attendant care cap, we've expressed concerns about cost, but we also understand that standards with respect to care need to be set. Do you think that task force, with the kind of purview that it's going to use—do you think those issues will help constrain costs?

1420

Mr Tait: I think probably the timing for that task force is excellent. The rehabilitation field is new to most of us, in the last two-and-a-half years with the advent of higher rehabilitation benefits under auto policies. It also doesn't have a lot of restrictions or constraints inside the system.

So our hope is that the task force can start to address those issues and guarantee some common care for rehabilitation victims.

Mr Owens: Mr Thornton made a comment at the beginning of the presentation around no-fault, and if I can paraphrase, the acrimony has been reduced and some of the adversarial relationships have been decreased. Can you maybe expand on that a little bit? Some presenters have talked about wanting to return to the system of old, and I characterize that as a wild west type of a system where some people win and some people lose.

Ms Kathy Bardswick: I'd like to respond to that, seeing as my major responsibility includes managing the claims operation, in addition to providing wider-spread service to our customers. I'm going to first respond by sharing some numbers with you in relation to the kinds of activities our people now are generally involved in in relation to the OMPP legislation in comparison to what we used to be involved in.

We have roughly 100 people involved in claims handling, the provision of claims service to our clients in Toronto. Of that 100, we have people, roughly a dozen of them, now involved in what was the traditional tort, an attempt to identify, define and negotiate liability assessments, and the remaining 88 are in the provision of benefits, which is really now the business that we're in, and appropriately so, and possible because we are not heavily involved or required to first attempt to investigate, define "fault" and prepare whatever has to come beyond that, but first provide benefits.

I think that's the appropriate way our resources should be allocated and is conducive to an environment of helping victims get back on their feet and back living at least closely resembling the lives they used to have. I think that allocation of resources alone demonstrates a very different environment for us as insurers.

Mr Owens: Thank you for your presentation.

Mr Mancini: Mr Thornton, I want to thank you and your officials for joining us today and presenting us with your brief. It's very informative and again has demonstrated many of the pitfalls contained in Bill 164.

Sir, would you agree with me that prior to Bill 68 there was great rate instability within the marketplace here in Ontario and that consumers were upset?

Mr Thornton: Yes. I mentioned during the presentation that the Co-operators had lost some \$60 million in the years immediately preceding—

Mr Mancini: I appreciate that, but I want to zero in on consumers. Would you agree with me that consumers were upset about the instability?

Mr Thornton: I'd agree.

Mr Mancini: Would you agree with me that the OMPP, Bill 68, in fact was a blended system of no-fault and tort and brought rate stability to the consumers?

Mr Thornton: Yes, I'd agree with that.

Mr Mancini: You said in your brief on page 4, "The minister introduced Bill 164 long before a report on how OMPP was working," which was required by Bill 68. When Bill 68 was introduced, you'll agree with me that it

was a major policy change in Ontario, that it was very complex and that in fact it was going to be absolutely necessary to have a report go to the Legislature to ensure that if there were any cracks in the system or people falling through the cracks, the Legislature would get an opportunity to know first hand where the bill needed to be improved, where the legislation needed to be improved. Did you think that was a good idea?

Mr Thornton: Yes, I did. OMPP, as Kathy has said, required a major change in how we approached our business. Clearly, given the amount of change, once it's been in operation for a couple of years, it's appropriate to want to stand back and assess how it's doing.

Mr Mancini: But it was a good idea at the time to have a review of the legislation sent to the Legislature so people who had fallen through the cracks or things that may have developed that hadn't been thought of or whatever could be looked at. I appreciate your comments in that regard.

The government and its New York consulting firm have stated publicly that because of Bill 164, automobile insurance rates will go up a minimum of 4.5%. I've quoted for the record, both here in Hamilton and elsewhere across the province, that the consulting firm of Coopers and Lybrand has indicated that rates will go up substantially more than 4.5%, and that the Wyatt firm has also indicated that rates will go up substantially more than 4.5%. As a matter of fact, some people are indicating rates may go as high as 20%.

Earlier this morning, the parliamentary assistant said there were some wacko people saying that rates were going to go up almost 20%. In your opinion, do you think the Wyatt firm and the Coopers and Lybrand consulting firm are legitimate firms in the industry that can gauge, if not to a tenth of a degree, fairly accurately what might happen and that they are not wacko people?

Mr Thornton: I won't comment on the various actuarial estimates of the increases that have been given. I will say that in our view, given the contents of the proposed legislation, the premiums will have to go up significantly.

Mr Mancini: Are you aware that Coopers and Lybrand estimated that the people right here in the Hamilton region, because of Bill 164, will have to pay \$198 more for their premiums? Are you aware of that?

Mr Thornton: Yes, I am.

Mr Mancini: Do you think the changes in Bill 164 are worth the \$198 to people who have been laid off and people who are on welfare? We have a million people in Ontario on welfare, the highest unemployment rate we've had in years, people have lost their jobs and plants have closed in record numbers. Do you think now is the time to inject another \$500-million cost on the consumers of Ontario?

Mr Thornton: I think my opinion would be interesting on that. I think what would be more significant would be the opinion of our 350,000 automobile clients in Ontario. I know that at this point they would not want to face that kind of increase.

Mr Mancini: You insure a lot of farmers.

The Chair: I'm sorry, Mr Mancini, your time has run out. I'd like to thank you for appearing before this committee, and have a good day.

1430

ONTARIO TRIAL LAWYERS ASSOCIATION

The Chair: The next group to come forward is the Ontario Trial Lawyers Association from Burlington. I'd like to welcome you to the standing committee on finance and economic affairs. Do you have any colleagues with you that you'd like to join you?

Mr John McLeish: No, Mr Chairman, it's just myself. My name is John McLeish.

The Chair: We have half an hour. We have until 3 o'clock, and in that period of time, if you can leave some time at the end for the members of the committee to ask questions. You may begin.

Mr McLeish: Just so you know who the Ontario Trial Lawyers Association is, it's an association of lawyers throughout Ontario who act exclusively for plaintiffs; no institutional defendants. Much of the work they do is on a pro bono basis for people. A lot of that work is for injured people. If a lawyer is working for an innocent victim of someone's negligence and does not get a successful result, that member of our organization will be happy to waive their fee.

Just so you don't think I'm a lawyer here with some self-interest, I can say this to you: Neither of my parents completed high school. For me, I'm proud to be a lawyer. It's a very big deal for me to be a lawyer and I'm very grateful to be a lawyer.

The Ontario lawyers' main objection to Bill 164, as I'm sure you've heard many times before, is that it totally eliminates the right of innocent accident victims to claim fair and full compensation for economic loss.

No study that was done beforehand, no commission that was commissioned beforehand, in fact, no jurisdiction in North America has a system that eliminates a person's right to sue for economic loss, and I include in that the Michigan system, which I'm sure you've heard about many times. It has a high verbal threshold. Even that permits a person to sue for full economic losses.

On June 22, 1990, the Liberal Bill 68 plan became law. No one screamed louder or was more outraged than the New Democratic Party. I say to you that if some party other than the NDP was proposing this legislation that the NDP is proposing, if the NDP was in opposition, I don't think anyone would be screaming louder than it about the unfairness of the system.

It creates harshness, it creates inequities and it is a blatant violation of the NDP pre-election promise. Before the NDP was elected, I went to a speech that Bob Rae and Peter Kormos were giving at the Sheraton Centre. They promised to restore the full right of accident victims to sue. Bob Rae and Peter Kormos both got a standing ovation for that. There were lawyers, victims' groups and just a number of different people in the group.

As luck would have it, I was walking to the parking lot after that speech and I bumped into Bob Rae and Peter Kormos. We were all going to the same door to the parking lot under the new city hall. I thanked him for his comments. My wife was with me and she said to Bob Rae: "It was a great speech. Did you mean it?" He said, "Absolutely, I did." He shook my hand and my wife's hand, and here we find ourselves today and he's doing just exactly the opposite to what he promised to do.

You've heard, I know, the examples of people who will fall between the cracks if this legislation goes through. Those are children whose earning patterns are not set, women out of the workforce who intend to return to the workforce, young adults with not a set earning pattern, injured workers who go back to work but not at the same salary level, and small business people who take a small draw and keep most of their earnings and retained earnings and so on.

I know that you've tried to legislate on behalf of these people. I know the NDP has had difficulty, and the reason for that, in my respectful submission to you, is that it's just simply an impossible thing to do.

Attendant care remains at \$3,000 a month. This is, as I'm sure you'll appreciate, inadequate for paraplegics and quadriplegics and severely head-injured people. Those people at a \$3,000-a-month level, without the right to sue and tort, will certainly end up in an institutional facility unless they have support of family and friends.

Let me give you an example. Just before I came down here this afternoon, I was going through my mail. I've got a head-injured client, and she has been receiving from the AXA Insurance company \$10,000 a month. AXA Insurance no longer wants to pay it. I don't know why. AXA Insurance has set up a mediation with the Ontario Insurance Commission, and my client barely knows what day it is, let alone can get to a mediation hearing. Her daughter and her brother-in-law have retained me, and we are going up there, hopefully, ultimately to convince someone that the present Bill 68 that is on the books now justifies \$10,000 a month and the \$3,000 a month is wishful thinking on their part.

I mention that to you because I heard someone say earlier that they think the acrimony between the insurance companies and the fight between insurance companies and victims is gone. It's not by any means gone. It's going to take me at least a day to prepare and go up for that mediation hearing. There is no provision whatsoever for provision of legal costs, and there's no way that my client has the wherewithal to pay that.

Just while we're talking about insurance companies and whether or not the acrimony is gone or still there, the same insurance company with the same client right off the bat appointed its own case manager, presumably someone it has used in past cases. My client wishes to use another rehabilitation firm to case-manage. I think she has that right, just as a person can use his or her own doctor. AXA Insurance has resisted that thus far and is simply saying: "No, we've got our people in there. They're going to case-manage your client. Your client does not have a right to choose her own case manager, and if she does, we're simply not

paying.” That’s where that stands right now. I don’t see Bill 164 having any impact on a situation like that.

I think you’ve heard from previous hearings with respect to income disability benefits. Actually, Bill 164, for those making under \$40,000, will cause a reduction in benefits. I have put the percentages in the paper on behalf of the trial lawyers. Those making \$20,000 a year will receive almost 12% less, \$30,000 will receive 16% less in accident benefits and \$40,000 almost 20% less. On the other hand, if you’re making more than \$40,000, you can receive more in accident benefits. The end result of the NDP legislation is that it hurts innocent low-income workers and is a benefit to negligent high-income people. I just ask the committee, is that fair?

You’ve got a \$15,000 deductible proposed in Bill 164. I think that is too high. I’ll tell you why I think it’s too high. I think about \$7,500, if there has to be a deductible, is in the ballpark.

The maximum a person in this province can get for pain and suffering and loss of enjoyment of life is approximately \$250,000. That’s reserved for brain-damaged quadriplegics.

To have a \$15,000 injury, you have to have a serious injury. An example of that kind of injury would be a person with a permanent back injury, a serious back injury. Permanent symptoms can affect their recreational and social activities. They might not be able to engage in them at all or only partially or with pain. That is the person you are taking out of the system. You’re probably taking a person even with a greater injury out of the system. No one can afford to litigate for a \$20,000 injury, so with a \$15,000 deductible, you are taking, I think, far too many serious injuries out of the system, especially, with respect to Bill 68, the recent threshold cases.

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I was dead against Bill 68 when it came in. There’s a recent decision out of Barrie by Mr Justice Weekes. That system might end up working; it just might. The first case that came out under Bill 68, the Meyer case, said the injury has to be near-catastrophic. This recent case, *Dalgliesh v Green*, is not that. If it holds up in the Court of Appeal it may have the desired effect of taking out the smaller injuries, the \$7,500-level injuries. If you combine that with prejudgement interest at 5%, no collateral benefits, you are still going to have a system where insurance companies are going to be able to make a large profit and people are still going to be able to maintain a tort claim for their economic losses and for pain and suffering, other than the minor injuries.

That system’s certainly not perfect, but it’s a lot better, I think, than what is being proposed. Bill 164 is discriminatory. It discriminates against people who have injuries in cars, as opposed to somewhere else. I’ve given the example in the paper of a drunk driver in a boat; he injures someone. That person, the injured victim, can sue the drunk driver of the boat. You put that same drunk in a car and the same victim in a car with the same injuries, there’s no right to sue under Bill 164.

Besides taking away the right to sue for economic loss, I think OTLA’s second main objection to the legislation is

that it is just horrendously complex. I’ve read it, I’ve been at seminars and conferences on it and I have a very difficult time understanding it. I think it’s like giving someone an Income Tax Act, a piece of foolscap, no tax return form, and saying, “Here you go, Mr or Miss, you fill out your own tax return.” To think that a layperson is going to be able to deal with those benefits is wishful thinking. Some of those people may listen to insurance companies, may get correct advice; probably will get not-so-correct advice. If they come to lawyers, they are going to have to pay legal fees, incur disbursements, and a lot of that is going to come right out of their pockets. There is no real provision for them to be indemnified for those fees.

I gave you the example earlier of an insurance company appointing—in this case, her name is Mrs Sharpe—their own rehabilitation consultant as a case manager. I don’t think that case manager, if they’re getting a lot of files from an insurer, is going to be objective. Insurers are interested in one thing and one thing only and that is profit. They have to report to their shareholders and case managers are going to want to get additional files from insurers and, subconsciously or not, are not going to want to deliver reports and give information to insurers that are going to hurt their future prospects of business.

All one has to do is check the statistics of the Ontario Insurance Commission and you will see the number of arbitrations at the insurance commission that favour the insureds and victims. Insurers are still, I think, denying benefits when they shouldn’t, putting people to expenses they should not have to be put to.

There is a way, if you are bound and determined to change the system, where you might give some relief to some people, and that is by an option allowing people to purchase on a first-party basis insurance to cover their economic losses. If that is something the committee and the NDP are prepared to consider, I ask two things with respect to that: one, that you make it mandatory on an insurer to offer it and, two, that you allow recovery for those economic losses to be considered and tested just as in the tort system now. I don’t think you can do it based on a past record of earnings. Right now, in our courts, with respect to proving a future economic loss, the onus is not on a balance of probabilities; it’s something a lot less than that. It’s a substantial possibility. If an injured person can show a substantial possibility of a future economic loss, that person can be compensated.

The higher the possibility, the greater the compensation. If there’s a 10% chance of a future economic loss, that person can get 10% of whatever that loss might be, \$50,000, \$100,000. I don’t know what it would cost to offer that by the insurers, but if it’s anything like the SEF 44, I don’t think it would be a lot of money, and especially if it was optional, a person could choose it or not choose it.

Just in summary, what I think you’re doing is giving the insurers in this province—I think we can safely say the automobile casualty insurers in this province are making \$1 billion a year—more control of the system. They take in the premiums, they decide on who gets paid what and payouts for claims without any interference whatsoever from the courts. If what we hear is true—I heard some of

the previous groups say it, and I've been reading the paper—insurance and insurance rates could go up as much as \$200. I thought what the NDP wanted to do was to control costs. Bill 164, if anything, is going to put upward pressure on costs. What is being proposed by Bill 164 is just so unfair.

I ask you this, if it appears that Bill 68—it may end up working and rather than go through with something such as Bill 164, which has so much room for unfairness and harshness and it can be mean-spirited to so many people, I ask that you reconsider and if you're not prepared to do so, that you at least allow people the choice of the optional coverage, which I have mentioned.

Those are my submissions on behalf of the Ontario Trial Lawyers Association. Thank you.

The Chair: We have four minutes for each of the caucuses. We'll start off with the government. I see Mr Winninger's got, I think, one of his law books there, so I don't know whether you've come prepared to deal with them there today. Mr Winninger.

Mr Winninger: Thanks very much, Mr Chair. I was a member of OTLA for many years, although I suspect my membership fees are in arrears since the election.

Mr McLeish: I'll have to send you a notice.

Mr Winninger: Thanks very much. Just on the issue of the complexity of the regulation, we decided to bring along the rules of procedure and hold them up today, 750 pages, as you know, in the regulation governing, among other things, how you bring a tort suit. You know, some people have commented that our regulation is excessively long. It's comprehensive, it's fairer than OMPP, and I would submit to you that it has to be of that length to deal with the number of accident victim contingencies and some of the gaps in the OMPP reg. That's just on the complexity issue.

Mr McLeish: Yes, well, the first thing you're going to do is drive people to see a lawyer and there are not many lawyers who understand it as well. Your legislation is going to cause people to incur a lot more legal fees than they do under the present legislation.

Mr Winninger: What we would like to do is reduce it beyond the standard automobile policy into something that's readable and user-friendly, just as they have done in Quebec under their no-fault insurance. Do you mind if I just take a moment though, because a number of the arguments you made, I think, were valid ones, but I need to clarify a few points with you?

First of all, you indicated that Bill 164 does not compensate women who temporarily withdraw from the workforce. In fact they can choose to receive income replacement benefits based on income earned before becoming a care giver. Your brief suggests it's not possible to do so.

If I could just squeeze in the other two and then you could respond. Bill 164 does compensate people who suffer permanent partial disabilities because it provides for multi-disciplinary assessment of lost earning capacity. Finally, the brief claims that commissioned salespeople are unfairly dealt with if injured during economic downturns. As you

probably know, the scheme allows them to base their benefits on earlier income levels.

I might draw your attention to an article by Jamie Cassels in last year's Canadian Bar Review, indicating that gender bias in personal injury awards to women is quite a serious problem.

Mr McLeish: I've read it.

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Mr Winninger: I would just say that the government has to walk a fine line between maintaining affordability of premiums and increasing access to benefits. To say that Bob Rae has done the exact opposite to what he said he would do is wrong. He lowered the threshold from the OMPP; increased access to tort by a factor of three; increased the loss of earnings and rehabilitation; removed the caps; indexed, which is a fairly expensive benefit; and extended the definition of "injury" to mental and psychological injuries.

I, like you, took motor vehicle cases and sometimes, quite frankly, under the tort system, whether the victim was innocent or not, it took an awful lot of time to get a recovery.

The Chair: Mr Winninger, can you get to the question or you'll be getting into Mr Mancini's time.

Mr Winninger: When your accident victims come to your office, innocent or not, at least you can tell them that their loss of earnings will be a lot more fully compensated under the proposed legislation than the \$140 a week they'd get under tort.

Mr McLeish: No one's saying the \$140 didn't need improvement.

Mr Winninger: But under—

The Chair: Mr Winninger, let him answer.

Mr McLeish: You can increase the \$140 to \$280 or \$300 or 80% or \$600. There's not a lawyer in this business who says the \$140 didn't need improvement. It had been in place for a long time. We have had, since the day I've been practising law, a blended no-fault and a blended tort system, pre-Bill 68 and Bill 68. There are not too many systems that can't be improved. It did need improvement. There's no one here who's not going to say it didn't.

Mr Winninger: Are you aware that we have—

The Chair: Mr Winninger, I'll go on to Mr Mancini.

Mr Mancini: Mr McLeish, I appreciate the brief you made to the committee and I know it's been frustrating for you. I know what your position was on Bill 68, but I'm also pleased to hear from you that your final comments to the committee were, "Well, don't implement Bill 164 because Bill 68 may end up working."

That's one of the reasons that it was mandatory for a report on Bill 68 to be submitted to the Legislature, to see what changes were necessary to shore up obvious parts of the bill that needed some improvement. I believe you've touched on some of those areas today.

For the record again, because the government members don't seem to be listening, Mr McLeish, you're one of the many litigation lawyers who have appeared before the committee. Not a single one, including yourself, has said that Bill 164 is going to be easier to administer. As a

matter of fact, you and every other litigation lawyer who has appeared before the committee has said that these 68 pages of regulations are unintelligible, unreadable and not consumer-friendly.

Could you, for the record, state again what your opinion is on these regulations so that the NDP members, once and for all, can stop trying to confuse the issue about whether or not these regs are going to be consumer-friendly?

Mr McLeish: I've talked to a number of lawyers about it who have nothing to do with personal injury litigation. They're involved in other kinds of law. They say it's the worst drafted piece of legislation they've ever seen at any time, anywhere. It can't be understood.

Mr Mancini: Say it to the government members, say it to those people sitting over there, because they're the ones who keep challenging experts like yourself who've spent working careers trying to deal with this stuff. They're the ones who keep challenging people who've been injured and have not been able to figure out the old OMPP, let alone be able to figure this out. Say it to those people there, please.

Mr McLeish: I think they know it, and time will show that it's the case. It's impossible to understand.

Mr Mancini: Mr McLeish, thank you. We also have been trying to get across to the viewing public and to people who've been making presentations and in particular to the government members that Bill 164 will drive up automobile insurance rates. Let's forget about the industry consultants; let's only deal with the government consultants. Mercer, who was hired by the government members, paid by the government, said that rates are going to go up a minimum of 4.5%. Do you think consumers should have to pay more for Bill 164 than they're paying now, than for the old bill?

Mr McLeish: No, of course not. One of the things the NDP promised too was to lower the rates, or certainly to stop the rate of increase, and it's doing just the opposite with this proposed legislation.

Mr Mancini: The NDP members have consistently told people who've come before this committee that they will get more benefits under 164 than they will under Bill 68, and your presentation to us is about as clear a presentation as I've seen in the last two weeks in regard to that—I'd like to call it a lie, but I can't—that untruth.

Mr McLeish: Just say they're not being truthful.

Mr Mancini: That untruth. You know, we've sat in hearings for the past two weeks, and today you've come forward and you've factually demonstrated how people at the lower end of the earning scale, \$40,000 and less, will receive less in benefits under Bill 164 as compared to Bill 68, and people making \$70,000, \$80,000 and \$90,000 will get more under Bill 164.

The Chair: Mr Mancini, your time is up.

Mr Mancini: Sir, in your opinion, is there any justifiable reason why low-income earners should be subsidizing the automobile insurance rates of high-income earners?

Mr McLeish: No, of course not.

The Chair: Mr Tilson.

Mr Tilson: Thank you, Mr McLeish. The NDP of course has blamed the legal community for being the cause of the high rates of insurance; that the lawyers, through their stretching cases out, doing whatever they do, have caused rates to go completely out of sight. I'd like you to comment on that.

Mr McLeish: That's ridiculous. The Supreme Court of Canada in 1978 set a cap on what a person could receive for pain and suffering and loss of enjoyment of life. It was \$100,000. That was reserved for paraplegics, quadriplegics and the badly brain-injured.

You tell me \$100,000 for a 20-year-old person who can't get out of a wheelchair for the rest of his life and will have tubes in and out of him for the rest of his life is too much money. That is ridiculous. The rest of those awards are simply to replace loss of income and to pay for cost of care. Awards in Ontario, quite frankly, were ridiculously low.

Mr Tilson: The government of course has also implied through its comments at these hearings and in the House that there will be less litigation. I'd like you to comment specifically with your thoughts as to what the courts may do with the deductible test, the trilogy test; the actions that may develop with respect to the Ontario Insurance Commission; I suppose dealings with the insurance companies, whether people are under benefits or whether they're not under benefits. Have you and your organization put any thought to where the public will be going as far as that increased legislation is concerned?

Mr McLeish: Let me take your comments one by one here. With respect to the trilogy, they set \$100,000 as the cap for general damages. That was on the basis that people were compensated for their economic losses. Now that they're not compensated for their economic losses, there's no justification for a cap of \$100,000. Now it's \$250,000 for pain and suffering awards, that particular category of damages. Some people have said triple or quadruple, from \$250,000 up to I've heard figures of close to \$750,000.

1500

With respect to the insurance commission, it was not busy initially. Now people are finding out what they're all about. There are always lots of denials of rights. My office is probably going up to the commission if not once a week, close to once a week. Right now, we look at mediation as a formality and something we have to get through and then get ready for the serious business of arbitration. I predict in a year those people are going to be buried, there are so many denials.

Dealing with insurers is something you asked me about. You've still got a person who's dealing with a multinational corporation and it is not a fair contest. They still take a hard line. They can still hire the experts. It's still a war and it's a very unfair one.

Finally, with respect to the deductible, take a situation where a person's got a serious back injury, say a \$50,000 injury, and it involves surgery. At that level, that's a serious injury. That person might be 50% at fault. Cut the \$50,000 in half, that's \$25,000, take off your deductible of \$15,000 and that person's left with \$10,000. The person will probably

not be able to afford litigating an injury like that. There are going to be lots of people under this legislation who just shy away from pursuing a claim they otherwise should pursue.

The Chair: I'd like to thank you for coming before this committee. You've brought a few more new points forward.

Mr McLeish: Thank you for your time.

DOMINION OF CANADA
GENERAL INSURANCE CO

The Chair: The next group is the Dominion of Canada General Insurance Co. Would you come forward, please, with your colleagues. I'd like to welcome you to the standing committee on finance and economic affairs. I believe you've been sitting back there since this morning, so we won't eat any time up. You may begin by announcing who you are, whom you represent and your position.

Mr George L. Cooke: I am George Cooke, the president and chief executive officer of the Dominion of Canada. With me is Bruce Pearson. Bruce is an independent insurance broker from Hamilton who represents the Dominion, along with other insurance companies. Insurance brokers deal with policyholders on the front line and we believe you should hear their concerns directly.

The Chair: Sir, do you want to speak into the mike. Some voices pick up better than others.

Mr George L. Cooke: I'm trying to. Does that help you?

The Chair: That's better. Every word that you're saying is being recorded. It won't be used against you, though.

Mr George L. Cooke: That's all right.

It was only days ago that I appeared before you on behalf of the Insurance Bureau of Canada. I'm sure that with the very intense schedule you've been following, it feels like many weeks ago. Mr Harnick already alluded to that point as I came in.

The Dominion of Canada is 100% Canadian-owned, the sixth largest property and casualty insurer in the country, and it's served the needs of Canadians since 1887 when Sir John A Macdonald was our first president. Background material about the Dominion is included in the package which has been given to you.

I should tell you that our view is consistent with the remarks made by Mr Griffin, Ms Murphy and myself for IBC last week, but let me summarize quickly the Dominion's concerns with Bill 164:

1. The draft regulation is unworkable and it's too complex.

2. The tort deductible is unfair and unaffordable.

3. The cost of the system created by Bill 164 cannot be accurately estimated without much more information as to how the system will work, but all preliminary estimates, and I stress all, indicate that Bill 164 will cost more than the Ontario motorist protection plan.

4. Substantive, inexpensive road safety initiatives, like graduated licensing, which most people support, have been largely ignored.

We openly acknowledge that OMPP can be and should be improved. But like the government's approach

to preventive health care, improvement must start with reducing accidents, saving lives and minimizing injury, and in turn removing unnecessary cost from the system. In our view, it is both foolish and insufficient to address only compensating or overcompensating injury while at the same time ignoring preventive measures. I am sure that during the last 10 minutes, somewhere in Ontario there has been an automobile accident which could have been prevented or injuries which would have been less severe if appropriate road safety measures were practised in this province.

Graduated licensing is only one, but a very important one, of the road safety measures we support. It is ironic that the government has not acted on graduated licensing. I strongly suspect that if an argument were put to the government that there was a very inexpensive and easy way to reduce death from cancer by 25% for people under 25 years of age, we would see immediate action and a sincere willingness to address the circumstance. Why is it the government cannot respond in a similar way to graduated licensing initiatives? It is simply unacceptable to allow bureaucratic inertia and political pondering to prevent graduated licensing from being introduced.

Road safety measures are noticeably missing from Bill 164 and it is our view that Bill 164 should not proceed without them.

The fundamental structure of Bill 164 accomplishes five things: First, it sets out withdrawal provisions; second, it deals with rate classification; third, it gives regulation-making authority for accident benefit compensation to cabinet; fourth, it eliminates the right to sue for economic loss; and fifth, it expands the right to sue for non-economic loss.

We can accept the amended position of the government on market withdrawal and rate classification. We can also accept cabinet's authority to make accident benefit regulations. But from your point of view, the fact that the draft regulation is complex and unworkable is not necessarily something with which you must deal now. You may, in our view, proceed to grant that authority to cabinet as long as you believe that the government can and will make the regulation workable.

I urge you, as committee members, to send a strong signal to the government that the regulations must be simplified. It is, in our view, too trite for one to be convinced of complexity by a comparison of 17 pages of regulations under OMPP to 68 pages under Bill 164. Neither is it acceptable to discard this comparison because more individuals receive compensation under one product than the other. We owe it to the people of Ontario to keep it simple and to make it work.

In my remarks to you during the IBC presentation, I pointed out that the proposed \$15,000 tort deductible is unfair and unaffordable. The one part of Bill 164 that causes the Dominion concern and should cause you great concern now is the expanded right to sue for non-economic loss; that is, pain and suffering and loss of amenities of life.

In its analysis, the government has assumed that only 6% of claimants could sue under OMPP. It is quite possible that the 6% could increase to 12% depending on eventual court interpretation. The \$15,000 tort deductible

effectively gives the right to sue for non-economic loss to at least 18% if the government is correct, and that's a big if, but if the government is incorrect, that number could be as large as 35%. The result is cost escalation that is unnecessary and a product that is unaffordable.

I think we can agree that any product, whether it be that proposed in Bill 164, OMPP or any other, involves tradeoffs among the level of compensation—that is, fairness, equity and adequacy; the timeliness of compensation—that is, how quickly payments are received; and affordability—that is, cost. The balancing of compensation, timeliness and affordability is fundamental to the public interest. At the end of the day, people must be able to afford the result.

1510

Let us look for a moment at what is happening with Bill 164. Whoever crafted the proposed product structure, which I'll refer to as The Road Ahead, or TRA, must have been guided by the need to balance the cost of increased tort access with affordability. I think the logic must have gone something like this: Take the alleged cost reduction from placing all economic loss on a no-fault basis and use it, in part, to pay for the increased payments for non-economic loss and legal fees arising from increased tort access. But it does not work.

With the changed TRA structure, the real winners are the lawyers and the at-fault claimants who will recover more than under OMPP through higher benefits. The losers are the most seriously injured not-at-fault claimants who will not recover their full economic or non-economic loss, and the consumer who will pay more.

Under OMPP, the most seriously injured retain the right to sue. As such, their compensation can be tailored to their circumstances. Under TRA, all economic loss compensation is through no-fault. To attempt to compensate the most seriously injured not-at-fault insureds on a basis comparable to OMPP, at-fault insureds get more. Other claimants do too and some are overcompensated.

This attempt at full compensation for economic loss is necessary in the TRA design to try to protect the court-imposed cap on general damages of some \$240,000 that I discussed with you when I appeared for IBC. I should say that \$240,000 cap I'm referring to is the same \$100,000 cap that the previous presenter was referring to. We're just measuring it at different points in time. It demonstrates what inflation can do to a figure over time.

Given the cap on general damages, the tort deductible reduces the award for the most seriously injured not-at-fault victims by \$15,000 relative to OMPP. It also allows more people to retain the right to sue, which increases legal, adjusting and investigation costs, increases the potential to artificially inflate claims and increases uncertainty.

The analysis undertaken by Mercer for the government and introduced by the minister demonstrates that under a pure tort environment, some 65% to 70% of claims costs pass through the system to the claimant. Under a pure no-fault system, some 91% of claims costs pass through the system to the claimant. As you determine public policy, you must decide whether the perceived or actual fairness introduced through a tort remedy is worth the added cost

to the system, the increased cost to consumers and the corresponding reduction in the award to the claimant.

As members of this committee, your problem, I respectfully put, is the following: You cannot defer the decision on access to tort. It is a matter that must be dealt with through legislation. To contrast, concerns about the complexity and affordability of the accident benefit regulation can be dealt with after the bill is passed.

Under the current OMPP, the right to sue is determined through a description of injuries; that is, that people with permanent and serious physical injuries and the families of those killed in car accidents have access to the courts.

If you were to decide to leave this restriction in place, all the concerns about the tort deductible disappear. Alternatively, you might change the restriction. The problem is how to craft new wording that is both fair and affordable, given that judicial interpretation is not known.

Either of these approaches involves changing the fundamental structure of the TRA product. However, neither deviates from the fundamental mandate as set out by the minister. A fair and affordable product, providing timely compensation, may be crafted in more than one way.

I understand that prior to these hearings, FAIR, a public interest group, had proposed to you a first-party tort buyup for economic loss. We have some concern about that proposal and I'd like to share that with you now for a moment, if I may.

Basically what this proposal is trying to do, I think, is address the very points that I've just talked to. Unfortunately, I don't think it's terribly workable. The problem goes something like this: Given that it's a first-party scheme and what it's intending to do would be to provide compensation for those high-income earners who would be most seriously injured, in order for somebody to be able to sell it, assuming we could administer it, he would have to know information about the individual purchasing insurance that's not allowed to be requested under the act. They'd have to know their occupation, they'd have to know their income. Given that you don't know those factors, from the point of view of the person selling insurance, he wouldn't know which customer to offer it to and which one not to offer it to.

The alternative, as I understand it, that FAIR puts to you is, "Well then, offer it to everybody." But what happens when you do that is, the price for everyone goes up, and what you effectively have happening is the unemployed steelworker from Hamilton subsidizing the trial lawyer from Toronto, which is not a circumstance that we think would be preferable.

We are very encouraged by the consultative process that has taken place to date. TRA removes the current \$500,000 caps on medical rehabilitation and care benefits. Stringent yet fair cost control is required to replace these caps. In his announcement of January 18, 1993, creating the rehabilitation task force, the minister has clearly recognized the need to address cost and affordability while providing timely, acceptable levels of compensation. Consultation can work.

We're also encouraged that you are truly listening to the concerns that we are expressing to this committee. We

want to pursue constructive insurance reform. We are not opposed to change; we accept change, but we accept change that is necessary, fair, practical and affordable.

Mr Chairman, at this point, I would like to ask Bruce Pearson to offer some comments to you and then I would come back and conclude.

Mr Bruce Pearson: Mr Chairman and members of the committee, I am an owner of Pearson Insurance Brokers. We operate four offices in the Hamilton area and have some 20,000 clients. We've been pleased to be associated as an office with Dominion of Canada for over 58 years. George Cooke has invited me here today to share some of my concerns with you regarding Bill 164.

As a broker, I speak with people who buy auto insurance every day, and I believe that I understand what people want. Our employees in our four offices spend about a third of their total working time explaining how car insurance works to anyone who comes into our offices with a question. We are explaining the rating system, claims procedures, policy coverage, differences between companies, just to mention a few. We take time to explain the ins and outs of auto insurance to any who may ask.

The consumer today is very concerned about the cost of insurance. Many in this area, greater Hamilton-Wentworth, are between jobs, out of work or indeed on fixed incomes. They cannot afford to pay high premiums, but they are demanding high-quality service for every penny they spend. People want an insurance product that's easy to understand, pays benefits quickly and repairs vehicles effectively. What we find people are not in favour of and do not want is an inordinate or an awful lot of paperwork, delays and the time and expense of court costs.

1520

Judging from my conversations, most people are satisfied with the current no-fault system. People are pleased that premiums have been stable or reduced. Claims are settled more quickly than under the prior tort environment and income benefits are delivered in less than two weeks. From the consumer's point of view, OMPP is working. Remember that in 1990, when OMPP was introduced, consumers were facing a potential rate increase of 35% on average under tort.

Most brokers feel that Bill 164 is too complicated to understand. I ask that you put yourselves in our shoes. It is possible to provide a service to people, but only if they can understand what that service includes. Few brokers, myself included, understand Bill 164 sufficiently to explain it clearly. It may be crystal clear to the civil servants who created it, but it is not, nor will it be, clear to the ordinary people who drive cars.

I happen to have the good fortune of being the education chairman within the industry and I'm confused with many parts of Bill 164. I ask again, how can the average person be expected to understand what their entitlement is under this plan?

Bill 164 is not user-friendly and as a consequence is not acceptable. Brokers are concerned that Bill 164 will lead to unnecessary price increases for consumers. How much is yet to be determined, but informed actuarial studies do

indeed indicate higher prices. We do not need more lawyers and more overcompensation. People simply cannot afford and will not accept amendments.

I thank you and I turn the microphone back to George.

Mr George L. Cooke: The economic decline over the past few years has taught many of us that we cannot always have everything we want and certainly not all at once. In the same vein, one of the major differences between government and opposition is the recognition that no one can provide all things to all people all of the time. We face very real and legitimate tradeoffs.

One of the most important messages to be taken from the study undertaken for the government by Mercer is that OMPP is currently underpriced. The Mercer study suggests that prices need to increase on average by some 8.4% beginning July 1, 1993. The Wyatt report prepared for IBC suggests that this number is between 13% and 26%. Bill 164 has nothing to do with these rate requirements. Any cost consequence of Bill 164 is in addition to this requirement for the adequate pricing of OMPP.

Why is there now a need to increase price under OMPP?

1. The price of auto insurance has generally not been increased since June 1990.

2. The price of auto insurance was reduced in late 1991 and early 1992 by many companies. The Dominion reduced price by some 4.8%.

3. The premium tax of 3% was reintroduced by the government in the 1991 budget. This tax was not passed on to consumers.

4. The current depopulation of the Facility Association, which we support, will provide auto insurance to some 2.5% of Ontario drivers, with savings of up to half of what they have been paying. Insurance companies will forgo this extra revenue.

5. The cost of claims increased at rates generally greater than CPI inflation and closer to health care cost escalation due to the bodily injury component of compensation.

Need I say more? Well, the recession has decreased accident frequency, but as the economy turns around this saving will be lost.

You must understand that prices are set to recover in the future costs expected to be incurred in the future. Pricing is not retrospective or retroactive. Unlike electricity pricing, for example, price changes in auto insurance are not immediate. The 12-month policy issued yesterday does not attract an increase for 12 months and then it takes another 12 months to fully earn that premium. That is a total of 24 months after the price is changed.

The Dominion has taken very strong action in recent months to ensure that it remains truly efficient in the delivery of auto insurance. We have consolidated operations, stressed performance, frozen salaries, introduced new technology, all of which is to provide better, less costly service. We believe these actions are a prerequisite to an application for increased price. We would not ask consumers to pay for inefficiency but we will ask consumers to pay for increased costs of compensation.

To conclude: The fundamental structure of OMPP will lead to greater price stability over time than that in TRA.

We recommend that you adjust the tort access under an OMPP-like structure, as you feel appropriate, to achieve the balance of compensation and affordability that you desire. The proposed draft no-fault accident benefit regulation should in due course be amended to make it understandable and consistent with the new restriction on tort access.

The recommendations of the rehabilitation task force will be essential to fair and affordable compensation. They will demonstrate new-found cooperation between industry, government and the rehabilitation sector. Road safety measures, such as graduated licensing, should be introduced to become reality no later than the introduction of changes to the insurance product, not promises but real measures.

These recommendations are consistent with the minister's goals yet they reflect the constructive comments put before this committee and resolve many concerns people have expressed. The result, simply put, is this: Public participation leads to better public policy.

Thank you for the opportunity to express these views.

The Chair: We have about one minute for three caucuses. Make it very short. Mr Cordiano.

Mr Joseph Cordiano (Lawrence): I would just say this. Would you agree with me that the government should in fact scrap their proposed legislation altogether as it is completely unworkable and there is no room for making any changes that would improve it in the sense that it would lead to the kinds of conclusions you've come to in your report?

Mr George L. Cooke: Not entirely. I think we have tried to suggest ways in which constructive insurance reform can be carried out, and we've suggested amendments to the bill that we feel, if followed, would lead to that end.

The Chair: Mr Harnick, quick.

Mr Harnick: Mr Cooke, as the president of one of Canada's largest insurers and representing, to a very large degree, the industry as well as your own company, can you tell us definitively that the best thing we should be doing right now is taking the OMPP and adjusting the threshold to meet the deficiencies we've seen so far and then proceeding from there?

Mr George L. Cooke: Mr Harnick, I can only state on behalf of the Dominion of Canada, and I would suggest, that as long as those of you who are making public policy are aware of the tradeoff between the level of compensation and affordability, it is quite appropriate to adjust the threshold, such as the OMPP threshold, accordingly. We believe very strongly that the fundamental structure of the product in OMPP is far more sound and will produce a far more predictable and stable environment in the future than that in TRA.

Mr Owens: Mr Cooke, I want to thank you for your blunt, as usual, presentation. Mr Anderson from the IBC recently indicated that the government was hearing—and you stated that again this afternoon—the concerns of the industry, and you yourself indicated that people should not pay a whole lot of attention to some of the figures in the press with respect to potential premium increases.

My question to you: Can you talk about the kind of consultation process we've been engaged in, something that was characterized by an individual today as perhaps something less than honest? Can you talk to us about the kinds of participation you've had, the input that you and others have been able to give with respect to this legislation?

1530

Mr George L. Cooke: Surely. In that sense, I can speak both on behalf of myself as Dominion and I think also as part of the steering group of industry representatives. We found the government quite prepared to engage in constructive consultation with us. There's been a positive exchange of ideas and concerns over the last 12 to 14 months. There's evidence of the constructive resolve in the creation of the rehab task force. I think it's just one point to note that we're very encouraged and we believe that we can work with government and would like to do so.

The Chair: Thank you for appearing before this committee.

FUTURE HEALTH INC

The Chair: The next group is called Future Health. Would they come forward, please. I saw everybody standing up. I was waiting for four people to come forward there.

Ms Ellen A. Helden: Just me.

The Chair: Well, I think you're the best person who came forward anyhow. I'd like to welcome you to the standing committee on finance and economic affairs. We have one half-hour, and in that one half-hour, if you can leave some time at the end for members to ask questions. If you don't mind, introduce yourself for the purposes of Hansard, and you may begin.

Ms Helden: I want to thank you for giving me the opportunity to be here today. Twenty-four hours ago I wouldn't have thanked you. I actually had cancelled my talk. However, about five minutes later a friend came in and said, "I hear you're doing a talk." I said, "I was, but I'm not any more." "Why?" "Well, I feel afraid. I feel intimidated."

The Chair: Okay. If you wouldn't mind not holding on to the mike. What happens with Hansard over there, sometimes it gets a bad contact.

Ms Helden: Okay. Can people hear me?

The Chair: You don't have to feel intimidated here.

Ms Helden: I know. Well, let me get on a roll here first.

The Chair: Okay. The last lady who came in here, she said she was shy. I had to cut her off, so—

Ms Helden: Okay.

The Chair: Okay. Go ahead.

Ms Helden: So I can't hold on to this. All right. Anyway, I was thinking about my audience and I thought, you know, the government's here, medical people will be here, lawyers, doctors. They are very powerful people, powerful institutions. You know what? I truly, honestly felt intimidated, and I said, "You know, what role do I have to play here?" So I cancelled.

I was talked into coming back. I guess I had a feeling that I could not make a difference. I am just me, okay? I do rehabilitation with clients who've been in car accidents, but I had the feeling that I would be intimidated. However, if you don't deal with your problem, the problem becomes yours or the problem gets passed on to another person. So here I am.

My name is Ellen Helden, and I work at Future Health. Future Health is a rehabilitation company that treats and assesses clients who have been in car accidents. Our job is to get people back to pre-accident level of functioning, as close as possible, and to harmony and health. We have had experience in this area for over 10 years.

The way I'd like to lay my talk out today is to talk, number one, about the problems in rehabilitation by giving you some examples of my clients' problems. Secondly, I want to make a point about lack of education, knowledge and research and, thirdly, that there are solutions to the problems.

Let's talk about the first part, rehabilitation, and what we really do for a living at Future Health. Our referral sources are insurance companies, lawyers, self-referrals or doctors. Like I say, I have done this for over 10 years. Interestingly, the policy has changed, some of the laws have changed over that time, but what stays the same constantly are the problems. Problems in our office, in the trenches day to day, are no different today than they were 10 years ago. I'd like to give three quick examples. These are just three telephone calls from clients two days ago.

My first telephone call was from a client; her accident was five years ago. She was referred by a specialist to Future Health to see if we could activate her out of the cycle of chronic pain and get her back to pre-accident level of functioning into some kind of a functioning lifestyle.

The first thing we had to do was try to get approval for the case, so we contacted the no-fault carrier. It was a fight from the beginning to the end. The lawyer had to become involved. We finally got access to treatment. This was under the old policy. The no-fault benefits ran out. The client was back to about 50%, 60% of what she used to be and there were no longer funds available under the first party.

The other side was asked to come forth with some money to continue treatment to finish. This is now five, six months later. All the efforts that were put into that by the client, the physicians, the rehabilitation workers had all gone by then again. It is such a delicate balance to get out of a sick role and to go to wellness. All people on the team have to be on board. The client was actually suicidal, didn't know what to do: "Can't the lawyers hurry up? How come people don't understand me?"

The second call in that day was a client under OMPP. The problems were no different. She was asked to go for an independent medical, referred by the insurance company. The client went into the office and she did not want to take her clothes off because in her culture you do not disrobe in front of a man. The benefits were denied as a result of that report. It was stated that the client refused to be examined, so the client did not have access to benefits.

The other case—it was about three years ago that the accident had occurred. The client had tried to go back to work after the first year—not successful; thoracic outlet syndrome, real problems. Presently, he's in the process of losing his home.

These are the problems we deal with every day. We try to identify the problems and find solutions. What you hear here is that there are problems in the system. No matter how good your law is or how bad, if people don't work in the spirit of the law, it doesn't matter what's set out. You could have "a bad law" and if everyone worked together in the spirit of the law you would get good results. No matter how good the law is, if people can't trust each other, it will still not be good.

1540

I want to leave you right now with this point: Access to accident benefits continues to be a problem; delivery of accident benefits and health care is a problem.

Why is there a problem with access and delivery? Are there bad people here? In your booklets there are two handouts and I want you to go and look at those handouts. One says "Old System"; one says "New System."

In the old way or even the way we're doing work now, if you do not work as an interdisciplinary team—that is, insurance company, doctor, specialist, community service rehab worker, significant others and lawyer—if they don't all work for the client, you get into the system where the client is alone, everyone is alone and no one's talking. It doesn't matter how many good or bad people are on it; when people don't work together, you cannot resolve this problem. So the law in that case has very little to do with it. It is really refocusing on the problem—access and delivery and how do we do it.

Oftentimes this is what my experience has been. From an insurance company view, they need to know what they're responsible for. Oftentimes they've only known the adversarial way to get information, because that's historically what this was. Now they get different opinions from doctors, rehabilitation, clients not getting better. How long do we have to keep paying on these files? No one knows. There's very little education input there.

From the plaintiff lawyers' point of view, in the past they were on the client's side, but no one was allowed in and it took so long.

Doctors: plaintiff and defence doctors—since when are we plaintiff or defence doctors? Clients feel it all the time. They say: "Do they know what they're doing? I don't know what's wrong with me. They've not told me. I don't know why every doctor has a different opinion. They don't believe me. They don't tell me anything."

Then there's always the fear of court cases and lawsuits.

Rehabilitation: Big question, what is rehabilitation? Done for the lawyer, for the insurance company, for the doctor, for the client?

What is treatment? If it doesn't work, we often blame the client, because the client didn't mitigate the damage.

Alienation, mistrust: A system like that, when we're not talking and working together in a problem-solving way, results in alienation. There's no accurate problem identification. The client's often alone with his or her reality.

There's a lot of anger, lots of miscommunication, much unhappiness and many, many costs. The adversarial system is extremely costly.

I'd like to propose that we all work towards a new system, an interdisciplinary approach, where there is no longer mistrust of each other. Why the mistrust? As I say, historically, it has been adversarial, although I guess Judge Osborne started to see early on in the 1960s that there was a need for no-fault. Accidents sometimes are our fault and sometimes aren't, and he saw the need for this whole trauma assessment and trauma medicine and taking the fault out of it. So no-fault is not new; it started a long time ago, but continuously, I think, access and delivery have been a problem.

I think lack of education and knowledge is the problem. It's not that insurance companies are bad, lawyers are bad, doctors are bad. I've worked with some wonderful adjusters who do wonderful case resolution, with great physicians, with lawyers who have the interests of the client in mind, and with doctors who genuinely want to help people get better. But we haven't bridged enough. We don't know the process of change here. The laws change frequently. Responsibilities have changed so fast that we all have to change so quickly, and I think that's one of the major problems. It's not good versus bad, us versus them; it's really a lack of knowledge and education and how to do it differently, how to do it better.

There are solutions. One thing I'm excited about is that we're entering into this with an opportunity to make something good. However, I think we need an organized approach to the problem, an approach that can be trusted by everyone involved. It should be beyond reproach.

Last summer, Economical Mutual Insurance invited a group of physicians to start looking at how they could make better delivery with respect to accident benefits and health care. Out of that, groups of people have met, with the result that at McMaster University Medical Centre there is a proposal for a trauma assessment project which would be directed under Dr Adrian Upton. It is all in your folders.

Why is this necessary? This project would take into consideration three points: One, it would meet the need for immediate evaluation of problems, identification of organic and non-organic problems—are they reducible?—and rehabilitation planning, early diagnosis, early treatment, so that the clients, first of all, get good care, and secondly, so that the insurance company can start measuring its losses or its costs and setting the reserves early. This is being done now, but it is not done in a systematic, controlled way. That would become available to everyone.

The second part is education. Physicians, adjusters, rehabilitation, lawyers and clients all have to be educated. Trauma medicine is in its infant stages. There is a great need for education. There is the opportunity at McMaster to do this.

The third part is research. Why research? Well, what works in getting people better? We all have ideas. We all have techniques. Some of them work here; some don't. We need to look at this much more closely.

The department of biostatistics and epidemiology at McMaster has looked at the proposal and is very excited about this project. They are a world-renowned system. They have set standards and have been involved in quality-of-life statistics etc for the World Health Organization. That's available to people there.

We should take this seriously. Workmen's compensation is an example of what we don't want to happen. We don't really know what works. The insurance companies right now don't know how to set the reserves. So I would like you to look over those proposals carefully.

Why this approach? Clients need to feel they can trust the system. Insurance companies need to feel they can trust the system. Rehabilitation, physicians, people need to feel they can trust it, and right now there is not a systematic approach as to how to deal with these problems.

1550

The Chair: Ready for questions: Mr Tilson, three minutes.

Mr Tilson: Thank you very much for coming to us this afternoon. I look forward to looking at your paper because there was a lot that you put in there that you haven't said. I look forward to reading it, and I must say I have no further questions.

Mrs Mathysen: I'm glad you did decide to come. As you can see, we are really quite remarkably unintimidating, so I commend you for coming. I think it's important. You've brought something to the committee. There has been quite a lot of wrangling about what's going on in terms of this bill, and you've reminded us that we may sometimes lose sight of the immediate needs of the injured victim, the injured client.

You talked a great deal about rehabilitation and how we could do it better. Can you comment on the impact of early intervention, early rehabilitation, for both the injured person and the insurance company?

Ms Helden: Yes. The earlier you start looking at the problem, the more quickly you can put in resources that prevent further problems. There are a lot of good studies which show you that the longer a client is in the sick role or does not get rehabilitation, the more entrenched the problems will become.

Mrs Mathysen: Does it become a mindset, a state of mind, as much as anything else?

Ms Helden: Do you mean from the client's point of view?

Mrs Mathysen: Yes.

Ms Helden: See, the client has physical problems initially, after an accident. Nobody likes being sick. They like to get better. However, my experience—that was my point. What happens is that you have your problem with pain or whatever, and then this system starts to become a problem. The clients have to prove that they have a problem. If you continually have to prove that you have a problem, how can you get out of the sick role? You can't, because you have to prove you're sick. So the longer that goes on, the more entrenched the perception of pain becomes and the more other problems come along with that, such as loss of

job, loss of family, conflict in all areas—physically, emotionally, in the recreational life, the financial, social and family life. So the longer you wait, the more new problems you create.

Mr Phillips: I appreciate the witness coming as well and bringing, I think, some firsthand experience tending to deal with people who I think understand it but maybe are one step removed from it.

I wonder if you have any advice for the committee just in terms of the bill we're dealing with here. This is the third phase, if you will. There was what we call the pre-OMPP bill, the OMPP and then this bill, which is called 164. Do you have any advice for the committee in terms of people you may be seeing and how they've found the two systems and whether you've had a chance to look at the current proposed bill. Do you have any advice for us?

Ms Helden: Yes, I have. First of all, I want to be able to trust our democratic institutions for making good laws. I am not an expert on the law. However, there are very good benefits in this policy and the only thing I want to stress is that access to benefits should be honoured. I don't know how you can make sure that happens; that is still a problem. Clients still have to prove, often, that they have a problem. Even with those who are under no-fault, there's still a lot of litigation going on, that you should be entitled to it. A client shouldn't have to prove. That's your right.

The other point I think you need to look at is the delivery for rehabilitation services. I think it's a big problem for the industry. I see adjusters struggling every day with trying to make decisions. The pressure on them must be tremendous, "Don't spend money but get the client better." We don't even know what that means. So I guess the point I want to make to you is, make sure you look at a systematic approach that is trusted by everyone, that will set standards for rehab, for physicians, for lawyers and for industry in terms of its delivery.

Mr Phillips: I appreciate that. Thank you very much.

The Chair: I'd like to thank you, Ms Helden, for your brief today. It added a little bit more on what we've heard here in Ontario; a little bit different.

This committee will recess for a five-minute break. Be back at 4 o'clock.

The committee recessed at 1557 and resumed at 1604.

UNITED STEELWORKERS
OF AMERICA, LOCAL 1005

The Chair: Our next group coming forward is the United Steelworkers of America, Local 1005. I'd like to welcome you to the committee. We have until 4:30 and in that period of time if you can wind up leaving some time at the end for questions from the committee members. You may begin, and identify yourselves for the purposes of Hansard.

Mr Bob Sutton: Yes, it's short anyway, Ron. I'm Bob Sutton, chairman of the political action committee at Local 1005 and the recording secretary. To my left here is Gary Howe, the secretary of the political action committee and secretary of our health and safety committee.

Local 1005 is the union that represents workers at Stelco Hilton Works in Hamilton. I'll mention that there

are 6,000 active members right now and about 9,000 retired members, and we had 13,500 members 10 years ago. We've seen our share of layoffs and we presently have about 931 people on layoff. This local has always taken an active position in any political debate.

What's happened here is that about a year ago at one of our membership meetings a motion came from the floor that whenever this road show on car insurance was going to be formulated, the political action committee was to write a brief and present. There are three particular areas that were debated at that membership meeting that we're going to address in our brief.

The first one was the government-run car insurance. It's been a long-standing position of the local as well as the New Democratic Party in this province that government-run car insurance was the only way to go. We would like to have seen that kind of legislation come out a year ago September, but unfortunately it didn't occur.

Either it should have been that way, or the other possibility, if it wasn't the provincial government taking over the industry, we would even have liked to see it set up its own parallel corporation. If nothing else, our members think that if there was a parallel, publicly run car insurance that people could use as an option, it would tend to keep the rest of the industry a little more honest, because there are a lot of our members who don't have much faith in the car insurance industry. A lot of people, like myself—if it was a government-run company, I'd gladly pay \$100 a year more just to know where my money was going.

The second area, and this is an area of major concern and probably the one that got the motion to the floor, was on the area of collateral benefits. As I understand it, it was Bill 68, the Ontario motorist protection plan, that established the principle of reducing an injured worker's no-fault benefit by the amount that was received from disability insurance or his company's sick plan. In our opinion, it may reduce the premiums for car insurance, but what it does is shift the burden of that premium away from the car insurance to a worker and/or his employees' group insurance plan.

The way it happens in a company like ours is we negotiate a group insurance plan, and that cost basically comes down to so many cents per hour, a dollar something per hour, whatever it is, and at the end of the three-year period, when our contract expires, if we've used up the level of insurance that we've negotiated, we go into a deficit situation and have to renegotiate that in the next collective agreement. Any money, like the car insurance or an injured person collecting from it, takes money out of that fund that we have to renegotiate for.

The other thing we have, and I think most collective agreements are somewhat similar, is a \$70,000 lifetime maximum presently on our group insurance. So if somebody's off work for a year, that eats into that \$70,000 and it means that somewhere down the road he may lose other benefits. Of course, with every collective agreement it's our intention to increase that \$70,000 to \$80,000 or \$90,000, but it's not an easy thing to do, especially when times are tough.

An employer like Stelco has been hit quite hard. We've lost a lot of people on layoffs. Right now the steel war's going on with the United States. There are 135 companies that used to be our customers that after the trade deal was signed packed up and moved south of the border. Those are customers, 500,000 tons of steel, that we're trying to chase and we're being harassed at the border. The company's feeling that, and when it comes time for us to negotiate our group insurance, that's going to be an irritant.

The other issue that was raised, which was somewhat minor but it was an issue with the members, was the right to sue. I guess under this plan that we've got now, this is probably the one good improvement that we do agree with. Being able to sue for pain and suffering is a much better way than we had it before, because we kind of feel that with a pure tort system you're looking at years of delay, and I'd use the word that it's a bit of a lottery whether you're going to get any payment under a legal position or not, under suing.

The no-fault benefit pays everybody right off the bat, and I kind of agree with that and the fact that there are some doors open for lawsuits after. I think that's probably about as good a compromise as we're going to get on this issue.

As I said, our members had these three specific concerns. We were sent here by the membership to address these concerns, which are publicly run auto insurance, collateral benefits and the right to sue. That's why the political action committee is here today.

1610

The Chair: Okay, fine, we'll go to Mr Winninger.

Mr Winninger: Thank you for your presentation. I might break down your points into three: the first was public ownership of auto insurance, the second was collateral benefits and the third was the issue of the right to sue for pain and suffering.

We feel Bill 164 introduces a number of improvements to the Ontario motorist protection plan in that it increases the weekly payment for loss of earnings upwards to \$1,000 a week; it takes off the lifetime cap for rehabilitation, which used to be \$500,000; it indexes benefits to the consumer price index, so they're not frozen in time; and it certainly extends the definition of "injury" to mental and psychological injuries. These are benefits that have a cost attached to them in terms of the premiums you and I pay for auto insurance.

If in fact people who do have a sickness and accident plan through their place of employment were to say, "Because I can access those benefits through my place of work, I shouldn't be having that factored into my auto insurance premium," the insurance industry would probably say, "Well, look, there's only so much money in the system, and if we take you off premiums for that component of your auto insurance, then all other drivers will have to pay more." That's the spinoff effect of ignoring collateral benefits.

As far as public auto insurance is concerned, perhaps we all would have liked to have that, but I think you know what the reasons were for declining to assume ownership: 13,500 jobs lost at a time when the recession was in its trough, and an estimated cost of \$1.4 billion to take it over

when we were running a deficit in excess of \$10 billion. These were the economic circumstances we, as a government, found ourselves in. You may or may not accept those reasons for not taking it over, but I think it's helpful to restate those reasons for the record.

One of the improvements, as you acknowledged, to Bill 68, the existing legislation, is that instead of having what we call a verbal threshold for tort, for pain and suffering, that is, a serious and permanent injury—and the court has suggested it's catastrophic; in another case, the Dalglish case, it takes a lesser test—the fact of the matter is that with that \$15,000 deductible you have a more certain measure, a numerical threshold. If you feel your case is worth more than that, you weigh the benefits and the costs of going to court.

I wanted to ask you if you were aware that by increasing the weekly benefit up to \$1,000, based on 90% of net income, we're actually taking in 97% of all full-time worker loss of earnings compared to only 73% under the existing legislation.

Mr Sutton: No, I wasn't aware of that until now, but I was aware of the fact that none of our members are making \$1,000 net income weekly, so that wasn't as big a problem to us as it could be for other groups.

Mr Winninger: I do know workers at our Ford plant near London, in Talbotville, with overtime, are making that kind of money. Does that include or exclude overtime?

Mr Sutton: My personal position is that I've always been opposed to workers working overtime, especially during tough economic times. My view is a 40-hour week.

Mr Mancini: I appreciate the concerns you've expressed, Mr Sutton. I'm not sure I can be helpful on the concern about the collateral benefits. I understand the present legislation treats the collateral benefits in the same manner that Bill 68 just treated the collateral benefits. I think you're aware of that.

Mr Sutton: Yes. I did say that, I believe.

Mr Mancini: I just want to verify a couple of points. You mentioned to me that you have 9,000 retirees in your local.

Mr Sutton: Yes. Actually, it's not just our local. It's the Steelworkers from the Stelco chain. There are about 9,000 people who are retired.

Mr Mancini: Are you familiar with the United Senior Citizens of Ontario?

Mr Sutton: I know of them, yes.

Mr Mancini: They represent 300,000 senior citizens. Are you familiar with the presentation they made before this committee?

Mr Sutton: No.

Mr Mancini: They stated the following: "To reiterate, it's our strong belief that Bill 164 and The Road Ahead will result in rate increases of 45% or even higher to our members"—that's the seniors. "Once again, we're strongly stating our objections to this bill and are very concerned that the objections will fall on deaf ears."

Furthermore, they state in their brief, "Do not implement Bill 164."

Bill 164 will eliminate the age factor in the rating of automobile insurance and senior citizens will be forced to pay a significantly higher premium because of that.

Mr Chair, could you let me know when I have two minutes left, please?

The Chair: Yes, I will.

Mr Mancini: Maybe you wouldn't be familiar with this, because it happened in London, Ontario, the other day. Mr Nigel Gilby, a litigation lawyer, made a presentation to this committee and admitted to the committee that he had supported the NDP in the last election because of its promise of (a) government-owned automobile insurance, (b) lower rates and (c) the full right to sue for both economic and non-economic loss. Of course, all those promises have been broken.

He made the following presentation to this committee. He compared the existing legislation and the new legislation being proposed by my friends across the floor here and he said the following:

If a married male aged 30 with a gross income of \$25,000 was, God forbid, in an accident and became a fatality, under the Ontario motorist protection plan, the existing plan, that person's family would collect \$435,000 in economic loss benefits. Under the government's plan, that person would collect \$93,000. Therefore, his family would have to pay a \$300,000 penalty because of this legislation.

He further went on to tell us that if the same thing happened to a married male aged 40 with a gross income of \$50,000, if there was a fatality in an automobile accident, under the Ontario motorist protection plan that person's family would get \$623,000, and under the government's legislation, Bill 164, they would get \$149,000. That's a penalty of \$480,000 to that person's family.

Furthermore, today, we heard from Mr John McLeish, who also admitted that he voted for and supported the NDP because of its promises on automobile insurance. He said the following to the committee today:

"While the NDP says it is increasing accident benefits, this is not true with respect to the income replacement benefits for those earning \$40,000 per year or less." I would assume that you'd be concerned about those people. "Under the NDP scheme, a disabled worker making \$20,000—a year—"will receive 11.8% less than under the Liberal plan, a worker making \$30,000 per year will receive 15.9% less, and a worker earning \$40,000 per year will receive 18.4% less" under the NDP legislation than they would have received under the existing Liberal legislation.

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He went on to say, Mr Sutton, that:

"An innocent accident victim earning \$70,000 per year"—I don't think many of your members earn that much money—"will receive 30.7% more under the NDP plan than under the Liberal plan, while a victim earning \$80,000 per year will receive 46% more under the NDP plan and a victim earning \$90,000 per year will receive 61.2% more under the NDP plan."

Do you think workers earning \$40,000 a year and less should be subsidizing people through their automobile

insurance rates who are earning \$70,000, \$80,000 and \$90,000 a year?

Mr Sutton: I think what you're saying there is, you're talking about the change from \$600 to \$1,000 on weekly benefits.

Mr Mancini: Yes, that's correct.

Mr Sutton: Quite frankly, I think that's more fair, and I'll tell you why. Right now, you get 90% of your net wage.

Mr Mancini: No, you get 80% of your gross right now.

Mr Sutton: No, 80% of gross under the old plan, 90% of net under the new plan, and the 90% of net is also indexed, so somebody who's off for X number of years is going to be looking an awful lot better if we've had the inflation we've had in the 1980s. But the other point my friend over here said is that it goes from 73% of people would be protected up to 97%. I can see that, and there's no doubt that we're all going to pay more premiums for that, because the only way you can reduce premiums is to reduce benefits, isn't it?

Mr Mancini: Sir, people earning \$40,000 a year and less will be paying and subsidizing those people earning \$70,000, \$80,000 and \$90,000 a year and more. That's the point.

The Chair: Two minutes.

Mr Mancini: Mr Phillips?

Mr Phillips: I appreciate the steel organization being here today. I realize it's been your group that's been among the most hard hit, I think, in the recession as you look at the various plant closures and what not.

My question is, and really this is the debate here, is the incremental cost of this bill worth the benefits? That's where I'd like the advice of your local. We've had a variety of estimates of increased costs, from 5% to 20%. Your organization has looked in detail at it. If your members were faced with a 10% premium increase, and I've tried to pick a number that I think is fair, which could be I gather a \$70 to \$80 annual increase in premiums, does your local support proceeding with the bill because it believes that a \$70 to \$80 increase in premium is worth the increased benefits you might receive?

Mr Sutton: I'm not sure we agree that the increase is going to be there for that reason. Most of our members see the car insurance going up, and as long as it's privately run, we're not going to see anything different, in my opinion. However, I think when we look at a couple of the benefits in here, we're pleased with that, but the collateral benefits are a problem to us. There's no question of that.

Mr Phillips: But would your members say, "Listen, we're quite prepared for an \$80 increase for those benefits"?

Mr Sutton: As I said, I'm not sure that there is that \$80 increase for these benefits.

Mr Phillips: If there was, would they support it?

Mr Sutton: I'd have to go back to the membership floor and debate that one, I guess.

Mr Harnick: Sir, I just want to go over one aspect of this bill with you first. The economic loss provisions in this bill say that if you suffer an economic loss—in other

words, if you suffer a loss of your income after you've received whatever benefits this plan is going to give you, and you still have a loss from what you should have made if you were able to continue in your job, continue to get your promotions and work your way up, even though you have a differential between what they gave you and what you would have earned had you not had the accident, this bill takes away your right to claim for that differential, even if you're an innocent victim. Do you agree with that?

Mr Sutton: When you're referring to purely the economic loss?

Mr Harnick: Yes.

Mr Sutton: The way I read it, I don't think I'd be looking at much of an economic loss. Let me tell you why.

Mr Harnick: Well, I'm not talking about you personally, but just generally. If someone does suffer an economic loss, what I want to know from you is, shouldn't they be able to collect it if they're innocent?

Mr Sutton: From our members' point of view, we don't see that our members are going to have any substantial economic loss. If they're receiving 90% of their net income—it's indexed—and the fact that they're not going to work, not paying for gasoline to drive to work, not paying for lunches and other employment costs, where is their economic loss?

Mr Harnick: What if they're—

Mr Sutton: Somebody that's maybe making \$200,000 or \$300,000 may have an economic loss.

Mr Harnick: Let me explain it to you. Let me explain where their economic loss is: If the person was just starting out, not necessarily as a steelworker but maybe as a teacher, he or she might be starting out on the lowest grid of the pay scale, and if the person is then injured and never able to work, they won't get to be the middle-income- or higher-income-earning teacher, the vice-principal or the principal, and they might have been on track for that, so they may suffer a future loss of income.

Let me give you another example: Let's talk about the student. Let's talk about your son or daughter who's at school now and might be getting straight As, and you know your son or daughter is going to grow up maybe to be the president of the steel company—

Mr Sutton: Heaven forbid.

Mr Harnick: Well, let me change it—maybe to be a doctor, a lawyer—

Mr Sutton: Head of the union.

Mr Harnick: Head of the union, maybe take Leo Gerard's job—but that student is injured in an accident, will never work again or never be able to work and never able to achieve what their intelligence indicated they would have been able to achieve. This bill will effectively pay them \$391 a week, indexed, for their working life. We know they could have been much more than somewhere around the \$20,000 mark. Don't you agree that a person in that situation should have the opportunity, after a premium's been paid, to claim for what their life might have been if they were innocent?

Mr Sutton: That's providing they go through the court system and can prove fault in the accident.

Mr Harnick: Well, they're going to get their accident benefits anyway—but they're innocent.

Mr Sutton: What you're referring to is strictly through the court system and I think—

Mr Harnick: No, it's not strictly through the court system.

Mr Sutton: Sure it is.

Mr Harnick: No, no. They get their accident benefits.

Mr Sutton: They're getting their accident benefits, but what you're referring to is the future potential—

Mr Harnick: I'm saying, shouldn't they be able to claim their additional—

Mr Sutton: You're referring to litigation and that.

Mr Harnick: That's right.

Mr Sutton: Quite frankly, I view it as—they might as well go buy lottery tickets—

Mr Harnick: But you see, they're innocent.

Mr Sutton: —because the odds of them winning in court are just about the same, aren't they?

Mr Harnick: No, you're wrong about that. They're innocent; they're the innocent person; they're going to get something; they're going to get what they can prove. Now they've got their accident benefits that pay them \$20,000 a year. They might have been a doctor, making \$100,000 a year. To me, that means they're losing about \$80,000 a year. Do you walk away from that?

Mr Sutton: They might have won the lottery too.

Mr Harnick: But do you just walk away without trying—if they're innocent. Why would it be a lottery if they're innocent? The accident is without their fault.

Mr Sutton: You're looking at one example of what may happen. They may get struck by lightning; they may be in an accident that's their fault; it may be partially their fault. What about all of these other people?

Mr Harnick: So on behalf of your union and your children, you're content to say that even if they're innocent, they get \$391. Even if they're innocent and can go to court and get more money, depending on what it is they're able to prove, you're quite content to accept the \$391 on behalf of your children and other union people's children and just leave them at the poverty line?

Mr Sutton: Well, one of the other things you're saying is, are we also in favour of paying more benefits, more premiums, in order to receive these more benefits? I think we'd much rather pay for private accident insurance and not have to worry about going through the court system. I'd rather invest my money there and my members' money there. I'm going to get more bang for my dollar going through life insurance.

1630

Mr Tilson: Just to remind you, sir, your members want the right to sue. That's what you say in your brief.

Mr Sutton: Yes, we did, and we discussed it—

Mr Tilson: That isn't what you're saying now.

Mr Sutton: No. What we discussed at the membership floor was, under the system, it was very hard to enter into any kind of lawsuit, and if you want to get into the pain and suffering, we have some serious considerations on the \$15,000.

Mr Tilson: Your members want the right to sue. So does everybody else in this province.

The Chair: Okay. Time has run out. I allowed you another few seconds there.

Mr Mancini: You're very generous.

The Chair: I know I am.

I'd like to thank you for coming before the committee today.

PEOPLE AGAINST THE INSURANCE NIGHTMARE

The Chair: The next group is PAIN, People Against the Insurance Nightmare. Would you come forward, please. I'd like to welcome you to the standing committee on finance and economic affairs. We have a half-hour. We're on until 5 o'clock, and after your presentation, if you can leave some time in that half-hour for questions from the members of the committee here. If you don't mind, identify yourselves for the purposes of Hansard and the committee. You may begin.

Mr Pat Mazurek: I'm Pat Mazurek. This is Doug Welland. I'm a member of a local NDP executive and I'm a lawyer. I've done work in the insurance area of law from both sides of the fence, as a lawyer representing both insurance companies and claimants. Mr Welland is a professor in the department of economics, the faculty of social science at McMaster University here in town. He has a particular expertise in the area of the insurance industry and, in particular, in the quantification or assessment of losses to injured victims.

We're here on behalf of PAIN, a group which many of you are probably familiar with. We've been involved in fighting for the rights of innocent accident victims, as well as fighting for some sensible and humane social policy in this area since back when the Liberal government first introduced its proposals to bring in the dramatically changed system that was created by Bill 68.

We appreciate the opportunity of addressing you here in Hamilton today and ask that you please listen carefully to what we have to say. We think our perspective on the matter is something different from what you've heard from most of the groups that have made presentations to you.

It's our basic position that this bill is very bad law. We think actually that the bill is probably a perfect example of everything that's wrong with a lot of the policymaking and legislating that's going on in our society these days. There are essentially three levels at which we take fundamental objection to the bill in its fundamental structure.

First, on an ethical level, it's our proposition that it's morally wrong. Some of the reasons for that have probably come out in some of the submissions from some of the other people, including some of the victim groups that have appeared before you.

On a level of social or economic policy, it's our position that this particular bill, and in fact Bill 68 that went

before it as well, is utterly illogical, bordering on the nonsensical. Professor Welland will be elaborating on that.

Finally, on a political level, it's our position that the bill is essentially invalid because it's utterly contrary to the democratic mandate that put you members in your chairs today. We won't touch on that at great length, because we don't have enough time. I think you all know what we mean. We'll return to it at the end.

In our brief time before this committee, it's going to be our effort to try to shine a little light through what is clearly a thick fog of what we would have to call bullshit that's being generated or spewed forth by the paid propaganda machines that are contributing to the debate on this issue. On the one hand, we have the government propaganda machine, which is paid for by our tax dollars and which is issuing forth all kinds of obfuscation and confusion on the issue. On the other hand, we have the insurance industry's propaganda machine.

This one is also being paid for with public dollars. In this case, it's your premium dollars buying these beautiful ads and things like that in the *Globe and Mail*, the cost of which of course goes into the cost of the insurance that we all buy. I guess it's kind of interesting to observe that we all have the great good fortune of paying for the privilege of being smothered in this obfuscation and public relations.

In any event, we have no incentive to create such a fog. We're not paid to be here, unlike many of the other people presenting to you. We want to get right to the straight goods without any waste of time or money. We think the straight goods are a lot clearer than you would think after you hear all of the propaganda.

We'll begin with our first heading. I've given you a rough outline of our paper here. Our first heading simply focuses on the title.

[Interruption]

The Acting Chair (Mrs Irene Mathysen): Would you please be quiet. We have presenters on the floor. It is their time. If you do not come to order then you will have to leave.

[Interruption]

The Acting Chair: I said order, and when I say order, we come to order.

Would you like to leave?

[Interruption]

The Acting Chair: The Chairman is here. You have a Chairman sitting in the chair.

[Interruption]

The Acting Chair: I regard that as a sexist insult. I am perfectly capable to be in the chair.

The Chair: Give me the chair back. I've got a job as the Chair here. I've got a job to make sure that people are getting interpretation in French. I see them in the booth. They're doing it. I just walked back there. If I can't put somebody in the chair for 30 seconds to walk back—I can hear what's going on when I'm walking back there, when I'm in the tent for a short while. People in the audience are

not going to tell me what I'm going to do up here. If you want to tell the Premier, fine.

[Interruption]

The Chair: I'm sorry, sir. Have him removed from the audience. We'll recess for five minutes.

The committee recessed at 1637 and resumed at 1642.

The Chair: We'll resume the hearings.

Mme Soth: Je voudrais signaler à tout le monde qu'il y a de l'interprétation en français. Vous pouvez prendre un récepteur ici. Nous sommes dans la cabine, et si vous avez des problèmes techniques, adressez-vous au technicien qui est là.

The Chair: Would you carry on, please.

Mr Mazurek: We've completed introductory remarks. I left off when we were focusing on the first title.

I focus on the name of this act. It's called An Act to amend the Insurance Act. It's our basic proposition that this is a complete misnomer. The kinds of changes that were passed in Bill 68 and that are being further enhanced here should not be buried in something like the Insurance Act. You're familiar with that act. It's a big thing like the tax act. It's a good place to bury little things, because only the industry tends to read an act like that. It's supposed to be an act to regulate that industry and the so-called products it puts out.

This bill is not primarily focused on that. This bill is primarily law reform, as was Bill 68. Specifically, the essence of this bill is to take away basic civil rights and, oddly enough, take them away from the most disadvantaged people in our society.

Just to illustrate, I don't think this committee would think it proper, if the topic under discussion was removing the rights of victims of toxic pollution for example, to hold the perpetrators responsible even if they could show a direct connection and direct innocent loss. If their rights were being savaged by corporate barons who felt their insurance rates for such matters were no longer affordable, whatever that means, I wouldn't think this committee would think it appropriate that those rights should be savaged in order to address these perceived problems of that particular industry. In fact this particular government, we find, in that particular area is championing something like the environmental bill of rights. It's going quite the other way. Yet when we turn our attention to this department, we find an entirely different approach.

If a government like this one apparently is, and like the one before it apparently was, seems predisposed or motivated to pass such onerous and unfair legislation, the last thing we would expect is to find it buried in something like the Insurance Act. You wouldn't expect that regulation of toxic pollution and the removal of rights of victims of that to be buried deep within this, would you? I wouldn't.

I think it's more than just a matter of name, because it betrays the entire fundamental illegitimacy of the whole project that's being undertaken. Probably, if we used clear, meaningful language and described this bill for what its essence is, the name should be—I am not grandstanding; I'm being literal here—An Act to eliminate the Civil Rights of the Disadvantaged. That is what is at the core

and that, and only that is what makes all the other little details and benefits you've been troubling yourselves with possible, because it's those people who are paying, as we wish to demonstrate now.

The reason we say this is fundamentally misguided is that this whole bill does not address the real problem. There is indeed a real problem in our society relating to motor vehicle accidents. It's the astounding number and severity of motor vehicle accidents and the tremendous amount of damage that's being caused in those accidents, as well as that problem being magnified by the pitiful systems we have in place for dealing with the people who are injured in such fashion or for that matter any other fashion. That should be the focus of this committee's inquiry: how to address the real problem.

Auto insurance rates don't fall out of the sky. What is the proper cost of auto insurance? What does "affordable" mean? How do you answer that question? You've got to look at the damage caused. Professor Welland will elaborate on this. Right now, I simply wish to observe that this bill is not even concerning itself with that. This bill is looking at the symptoms of the problem and it's purporting to address the symptoms, but it's not even curing the symptoms. Rather, what it chooses to do is ignore the symptoms, to somehow legislate them out of existence.

What you should know, of course, and hopefully what some of the presenters have made clear, is that no matter how many PR people you have working for you, you can't write legislation that is going to eliminate the real loss people have suffered.

There is a way you can eliminate their loss, ladies and gentlemen, and it should weigh on your consciences, because there's a good way. It's to address the real problem: cut the accidents, cut the damage. There are a number of ways it can be done. But that's not what you're embarking upon here. You're embarking upon the opposite. You're going to ignore it, somehow make it out of existence. To top it off, you're going to systematically remove any sort of advocacy for those people so that when they're being ignored, they're muted and it's very difficult for them to make themselves heard and to make their suffering and the shortchanging known to others.

The effect of all this is to not encourage preventive action, but on the contrary—this is the irony of the whole thing—to make a real problem worse. You certainly aren't making it better. You probably aren't even neutral. You're almost certainly, according to the statistics, going to make it worse, and there's a common-sense reason for that, of course.

Let's look at what is posited as the alleged problem. You've heard what we say is the real problem. The alleged problem is that auto insurance rates are going up too high. We've made a little picture for you and you all have a smaller version in your brief. It's sort of a Ross Perot type of thing, to make it clear, because people don't seem to be clear on it. The title as you see is "Where Your Insurance Premium Goes."

If you take a little look at the pie, you see we've got it in three major thirds. One we call the "Industry Cut" and it's somewhere in the vicinity of 35% to 40%. I don't know enough to come up with these numbers by myself so

I took them out of the government's own material. That's where these numbers come from. Brokers' commissions are approximately 15%. That's not just of the injury money; that's everything that's paid. That's a conservative estimate as well. I've got a figure of 17.3% in the material, but we rounded it out. Similarly with profit, we've been modest—10%. It's certainly been more in the last year and probably will continue to be more under the new system being proposed. In any event, let's call it 10%.

Then we have to think about overhead. Overhead is those nice gleaming buildings, these beautiful ads, the jingles you hear on the radio. You've got to pay for that stuff too, and that comes to about 10% on the figures that have been made available by the government. So you've got somewhere in the area of 35% to 40% there.

1650

The figures in your promotional material also show the property damage of the remainder that goes out in claims. A majority of that share, something over 50% and probably closer to 60%, goes out in property damage, which comes to a total of about 35% or 40% of the grand total.

The personal injury part that we're concerning ourselves with in such detail here is actually only about 20% to 30% of the entire disposition of your premium dollars. But the only focus of Bill 164 is that little part. Nobody's doing anything, I mean anything, about the rest. The brokers' commissions are fully half of the total amount going out for all kinds of injuries to everybody, but there's not a breath about it; profits similarly.

Now it's being posited, as one of the alleged solutions, that by eliminating fault and moral responsibility and everything else, we're somehow going to get away from these so-called wasted costs of determining actual fault and actual economic loss. That's a bit of a joke in and of itself, because when it comes to setting premiums, of course the government assures us that fault will count, but we don't have a system for figuring out who's at fault, so that's an interesting one you can think on. In any event, the reality is probably that some time will be spent on fault even under the new system.

But on the government's own Mercer presentation, at best the amount of savings in cost—because remember, of this little piece, the vast majority does go out in benefits to victims, and a certain amount is what economists like to call transaction costs. A certain amount of those transaction costs are going to occur in any event, and that's accepted in the material too, and it's common sense. You still have to adjudicate claims and pay out the money and keep track of people.

Even if we accept as true that they're going to save the kind of money they suggest, look at your pie; the alleged savings, and I stress alleged, is 2% or 3% of the grand total of the auto insurance premium, maximum on the best assumptions. That's the territory we're in. Of course, common sense lets us know that the so-called reduction or limiting of auto insurance premiums is not going to be done simply by going to work on that 2% or 3%. The reality is known, and you've had it presented it to you in different ways. The government knows it. Your friends over at this table will tell you that it's absolutely understood that

the total amount that'll go into the pockets of innocent accident victims was reduced by Bill 68. Their part of the pie shrank, and it's going to be further reduced now; it certainly isn't going to be increased. They're the ones paying for all these benefits. All of the cost is being borne by a reduction in that pie.

Let's look at that pie. As the cost of saving this 2% or 3%, of course, we've eliminated fault, which means now all the benefits are going to the guilty drivers as well. The money from that isn't coming out of the sky and it's not coming out of that piece of the pie, and it's not coming out that piece of the pie. There's only so much pie. Guess where it's coming out? Of course, it's coming out of the fund that's already there for accident victims. If the guilty people are getting more, guess who's getting less?

You can do as much PR as you want, but there are only so many pieces of the pie, and that's where the money's coming from. They know it, and hopefully they'd let you know it. You should be very clear that in approaching this bill, the object is to restrict the money that goes to innocent accident victims. They're the ones who are going to pay for the subsidy, and only them.

I referred to morality. You'll see in our next heading we talk about wealth transfers, which is essentially what we're talking about here. This isn't product reform; this is basic stuff. We're transferring wealth and what we're doing, of course, is subsidizing automobile owners, the most advantaged segment of our society. Yes, widely held: Many people have them, but the rich people have more and they're going to benefit more and there's fully a third of our province or more of our citizens who don't. They're not going to benefit. They're not getting reduced premiums. They don't pay premiums. They don't have the privilege of having a car to pay premiums on.

Who are they? They're the disadvantaged, the poor, the elderly, the people who are already disabled, for goodness' sake. They're the people who aren't driving around, or maybe the ones who are a little more socially responsible and ride a bicycle, take the subway or something, to stay out of the car. Whatever it is, they're not benefiting. It's the disadvantaged who are not going to get any of the alleged benefit of reduced premiums. But they're equally going to pay with everybody else, because they're just as likely to get mowed down or whatever.

The cyclist, who is merrily riding to work, can get blown out by the car just as well as anybody else, probably better. He's more likely to be badly hurt, which means more likely to pay the serious costs, because the basic wealth transfer—and I want to be really unequivocal about this: I absolutely challenge, our group does, any member of this committee, any member of the government, any of the bureaucrats, to refute that these are the directions of the wealth transfers.

You can quibble about how much, and indeed it depends on what rates you put in the regs, and they're subject to change over time, as we all know, but the basic directions are clearly in the way indicated in our brief. Innocent victims will be the ones paying, the only ones paying, to subsidize motor vehicle owners. The innocent victims, incidentally, will also be the only ones paying to subsidize or at least

give benefits to the guilty drivers, beyond what we gave them before.

If society feels so bad about these people, then they should use some tax dollars to give them breaks, because philosophically and morally, they have no basis whatsoever to distinguish between somebody who piles himself into a pole in a car or someone who falls off a ladder at home. There's no reason to stop it at accidents. Why should the guy who gets hurt in an accident get more from society than somebody who's congenitally that way? Jeez, he's better off. He at least had a few years of regular living. Now he knows how it feels. This guy's been that way since birth. There's no moral basis to distinguish. The only basis to distinguish is fault. Innocent people have a right, theoretically and morally, to get something complete from the perpetrators of the harm; others do not.

I observe in passing, and you'll see it's noted as number 3, that in effect what's going on here, going back to our little picture, is all citizens are subsidizing the insurance industry, and the insurance brokers in particular, by reason of the fact that all of these so-called cost-saving measures are being borne by the injured people with no effort whatsoever to make these shares reduce whatsoever.

Of course, it makes a mockery of the fact that the real intent is to save rates. If it were, you'd look at the pie, and let's not spend weeks of hearings on a couple of percentage points down here. Look at these big pieces up here. Let's do something about it. Now, the government's abandoned the profit idea. They could have gotten rid of those going with government-owned, and they probably could have brought the brokerage fees to zero or very close, going that way as well. They likely could have reduced overhead, but none of that happened. Instead, we've got the whole thing being borne on the backs of the injured people.

Of course, you'll see the final transfer of wealth, and this is the beautiful paradox of it all—or to my mind, the pathetic paradox—that it's basically a transfer from the have-nots to the haves of society, all courtesy of the NDP; Jeez, I always thought they wanted the arrow to go the other way.

The Chair: You've got one minute left to conclude.

Mr Mazurek: Okay. Now I'm going to switch my—well, we were shorted a bit. I'm going to let Mr Welland speak in a moment about the fact that all of this also has a profound and negative effect on public policy, because it encourages uneconomic action by not addressing the real—

1700

Mr Tilson: On a point of order, Mr Chairman: I have been watching the clock very carefully, and the time that they lost was during this little exercise that went on here. Their speech was interrupted. I believe they've got at least 10 minutes more.

[Interruption]

Mr Winner: Point of order.

The Chair: I'm sorry. I'm not going to rule on that one, because it is the group—

Mr Tilson: I've been watching a watch. It's 5 o'clock.

The Chair: I've got 5 o'clock.

Mr Tilson: They started at 4:30. They've lost 10 minutes because of your shenanigans.

The Chair: They did not lose 10 minutes. It was five minutes. We went out there—

[Interruption]

The Chair: I'm sorry. There's no comments from the audience. If you're going to stay here and comment, I would appreciate that you leave.

Mr Kormos: It's called the New Democratic Party.

[Interruption]

Mr Winner: Then why did you interrupt your speaker?

[Interruption]

The Chair: I'm sorry, sir. Okay. I'm sorry that we've run out of time and we're carrying on with the next group.

[Interruption]

Interjections.

The Chair: It's 5 o'clock.

[Interruption]

Mr Kormos: How do you call yourself a democrat?

[Interruption]

The Chair: I'm sorry. The time has run out. It's 5 o'clock. The next group's on at 5.

Mr Kormos: No, no.

Dr Doug Welland: I've got about 10 minutes here, Mr Chairman.

The Chair: No. I'm sorry. Your group's done.

Dr Welland: We will not leave.

[Interruption]

The Chair: I'm sorry. I'm ruling as Chair and I would like that gentleman removed from the room. If he's going to leave—

Mr Kormos: These people have a right to make a presentation.

Mr Harnick: Point of order, Mr Chairman. May I have my microphone turned on, please? Point of order.

Mr Winner: I have a point of order.

The Chair: I go over here to this point of order. Mr Winner.

Mr Winner: I would simply like to say that if a member of PAIN who's here today in the audience chooses to interrupt his representative speaking at the mike, then it can't later be complained about if they don't get their full time.

Interjections.

Mr Harnick: That's not a point of order.

Mr Winner: They can choose to use their time the way they please.

The Chair: The Chair has made a ruling here.

Mr Harnick: That's not a point of order, and I would like to make a point of order.

Mr Tilson: Mr Chairman, I'd like to challenge his point of order.

Mr Harnick: I would like to make a point of order.

Mr Tilson: I, as a member of this committee, am challenging your point of order.

Mr Harnick: Excuse me. Point of order, Chairman, and I'd like my microphone turned on. You might be able to dictate to everybody else, but you're not going to dictate to me.

The Chair: I recognize Mr Hornick—Harnick.

Mr Harnick: You'll get it right. A few more weeks and you'll get it right.

The Chair: I'm used to you sitting beside Mr Kormos there. He knows a lot of Hornicks.

Mr Harnick: I don't know what that means, but the fact of the matter is, Mr Chairman, that we have a subcommittee that made rules, and the rules were that groups get half an hour. This group has had 18 minutes. You adjourned it—

The Chair: You haven't got—

Mr Harnick: Let me finish and have the courtesy of keeping your mouth shut until I am finished.

The Chair: Okay, you're out of order.

Mr Kormos: Oh, come on.

Mr Harnick: I don't care whether—you're out of order too.

The Chair: You don't call me—

Mr Kormos: Everybody's out of order but you and Bob?

The Chair: Will you apologize for what you said to the Chair?

Mr Harnick: You apologize for interrupting me. You know, you get the courtesy that you deserve.

The Chair: Turn the mike off.

Mr Harnick: No, don't turn my mike off.

The Chair: Yes.

Mr Harnick: We have rules here.

The Chair: The rules are—

Mr Harnick: We have a subcommittee that made certain decisions, and you might be the Chairman, but that doesn't permit you to overrule the subcommittee. Who do you think you are?

[Interruption]

The Chair: Mr Huget.

Mr Bob Huget (Sarnia): Point of order, Mr Chairman: I would move for unanimous consent to extend the hearing times by five minutes.

[Interruption]

Mr Owens: Agreed.

The Chair: Okay, five minutes.

Mr Mazurek: In light of developments, I was just going to give my concluding remarks, but I won't. Please read them. They're on the last page. All I say is, address the real problem. Don't run and hide. Don't be cowardly. Go after the big boys; don't pick on the little guys. Professor Welland is going to elaborate on the point that you're really making a basic problem worse.

Dr Welland: My starting point is the price of auto insurance, which is really the reason that we're here today.

In an unregulated competitive market, prices convey a great deal of information. In the case of automobile insurance, back in the days when prices were unregulated, rising prices informed us of increasing numbers of maimed and broken bodies and alerted people to the fact that a change in behaviour was needed and that vehicles and roads must be made safer. Prices were—

[Interruption]

The Chair: I'm sorry, sir. You're out of order back there. You're using your own time up.

Dr Welland: Prices were simply responding to increases in private costs that automobiles were imposing upon society. Prices rose exactly as they should. The consumer, not surprisingly, began to clamour, and at this point, the government, either not understanding or choosing to ignore the real issue, which is that of highway safety, began to pander to the naïvete of the consumer by regulating prices.

Regulation of prices is a poor stopgap because it doesn't deal with the underlying problem and eventually it sets up a new clamour. From whom? From the industry. They're faced with rising costs and shrinking profits and they can't adjust their prices to reflect cost increases.

Now the government has two highly visible groups clamouring for relief and in the meantime the carnage goes on. The pressures build. Government decides it has to respond in a way that holds the line on prices, notwithstanding the fact that the upward pressure on prices is merely a reflection of what's going on on the highways: Accidents are increasing; average claim costs are rising. The market is working exactly as it should.

At this point, in response to the hue and cry, the government steps into a market that is working well and begins to meddle. Let me remind you, as Mr Mazurek has stated, that rising prices are a symptom, a signal. They're not the disease. Bill 164 is an attempt to treat the symptom, just as Bill 68 was before it. The line has to be held on prices and the shell game begins.

We can't touch the profits of the industry. They have to be protected. We can't touch the profits of the brokers. They have to be protected too. Well, let's hide some over here in OHIP, let's hide a bit more over here in disability insurance by making it primary, let's reduce compensation to innocent accident victims of the future, and if we want to reward the guilty, let's make the innocent pay for them too.

What a brilliant solution. It's the political version of the perfect crime. These people can't complain because nobody knows who they are yet. A sigh of relief. We've solved the problem. We've held the line on prices, but at what cost?

Innocent accident victims have lost the right to sue because of the verbal threshold. They can no longer obtain full compensation for economic and non-economic losses. The victim is being victimized, first by the negligence of some other driver and now by government policy. What a wonderful world we live in.

The price of auto insurance no longer reflects the true private cost of the carnage going on on the highway, which continues on unabated, and everybody forgets about it. Who cares about that anyway? We've held the line on prices. After all, after Bill 68, the most seriously injured,

innocent accident victims, survivors of those killed in fatal accidents, still have unfettered access to tort for full redress of their economic losses.

Then a new government comes to power, campaigning on the promise to redress the many problems created by Bill 68, promising to restore the right to sue for full economic and non-economic losses. I heard that promise from the mouth of the Premier himself at the kickoff to Mr Christopherson's campaign.

The Chair: How much have you got left?

Dr Welland: I've got about two more minutes, Mr Chairman, if you please.

The Chair: Okay. You can have two minutes.

Dr Welland: What does this government do? Instead of carrying on with its promise to restore the rights of the innocent accident victim, it carries the problem of unfairness to innocent accident victims much further. The Liberal bill left open the door to full compensation through the tort system for economic and non-economic losses, recognizing that major and catastrophic injuries were deserving of special treatment.

Ladies and gentlemen, it's precisely these people who are at the top of your hit list in Bill 164. You've heard this from John Sewell; you've heard this from a number of other people, I'm sure. They have informed you that students, younger workers, the survivors of innocent individuals killed in automobile accidents and victims requiring extensive amounts of long-term care are being asked in this legislation to bear a much greater risk, a disproportionate share of the risk against the negligence of other people. They're being asked to self-insure their human wealth, their earnings power, and the compensation in the accident benefits schedule is completely inadequate in many cases to compensate people for what they have truly lost. I could give you examples, but because is limited I'm going to skip over it.

1710

I'm going to make one other comment. First of all, I understand that Mr Nigel Gilby has handed out my technical analysis of this bill. I should point out that this is about a year old. I wrote it for the Advocates' Society meeting on January 10, I believe, of last year. There are many comments in here that are still valid as technical comments, criticizing the no-fault provisions of the bill. There are still many gaps in the legislation, and even though these comments are not written with a view to the new regulation, which I just got a copy of, there are still many points here that are valid.

I want to make one other point, and that is that a more subtle but important side effect of this legislation is the fact the market signal about the true level of accident cost is going to get hopelessly lost as a result of this legislation. The carnage will go on and it'll increase because of some of the goofy incentive effects of this legislation.

But the really sinister effect of Bill 164, just like Bill 68 before it, is that now the true costs that the automobile imposes on society get shuffled off in various directions, they're buried deeply, and the government then has failed in its responsibility to deal with the problem that created the crisis in the first place. It has treated the symptom and

not the disease, and the real loser is the innocent accident victim, who's being victimized all over again.

It's interesting to note that in the spin document, the 64-page document that Mr Charlton tabled in the Legislature early this year, it stated, "Bill 164's proposals provide a comprehensive system of economic compensation, eliminating the need to sue." I put it to you that the framers of this legislation don't believe this claim; otherwise, why would you be restricting the right to tort?

The Chair: I'd like to thank you for your submission.

SIMCOE ERIE GROUP

The Chair: The next group to come forward is the Simcoe Erie Group. I'd like to welcome you to the standing committee on finance and economic affairs. You will have one half-hour for your presentation. I had some patience because I didn't want to see you go to Toronto to make the presentation there if we dismissed. Identify yourself for the purposes of Hansard, and you may begin.

Mr Malcolm Heins: My name is Malcolm Heins. I'm president of Simcoe Erie Group, a group of property casualty insurers based in Burlington. On my left is Mr Ralph D'Angelo, a lawyer in our company who has a fair bit of experience with both the OMPP legislation and the proposed draft legislation in Bill 164.

I don't want to rehash a lot of what has gone before this committee. I've been reasonably familiar with the presentations that have taken place in a summary way, and our presentation was designed to pick up on a couple of points that we didn't think were necessarily covered in some of the other presentations. I don't intend to go word-for-word through this presentation. If you have it in front of you, you're able to read it. I'll hit the points, so I'll be moving around a little bit.

The Chair: The researcher has a copy here and we'll go through it, and it would be even better if you brought up some other points there too.

Mr Heins: Terrific. No one, as we see it, really disagrees that the amendments within Bill 164 enhance the accident benefits and the right to sue for non-pecuniary damages such as pain and suffering over and above what is presently available under the OMPP. Most of the debate in the submissions which it appears have come before this committee have concerned the impact these changes were going to have upon the price of automobile insurance in Ontario. Most of the submissions, we are sure, have pointed to the increase in premium costs which will have to be borne by the Ontario consumer in comparison to the price of the current OMPP product.

In our view, the realities are that the costs associated with OMPP are already escalating. That point was made by Mr Cooke in his presentation by the Dominion of Canada General Insurance Co. We see it today in our administration of the OMPP product. We also would advise this committee that the OMPP product, as an accident-sickness program, is an immature insurance product. It is barely two and a half years old. That's very young in the life of that kind of an insurance product, and as a result the full implications

of what we're dealing with are frankly unknown. We are learning day by day.

As a result, it is our view that to embark on yet another revision of the insurance product for automobile insurance is frankly premature and really borders on the irresponsible at this point in time.

The other point we need to make, and this is perhaps one of the subtleties that I think is being missed, is that given the OMPP product and indeed the product envisaged by Bill 164, what we are seeing is a shift in the cost of health care from, in many respects, the public sector to the private sector. We already are seeing patients being discharged from hospitals into the care of private-type institutions which are being funded by the automobile insurers. Now, there's nothing necessarily wrong with that, but it is starting to transfer a cost to the driving public. I can't give you statistics on that, its anecdotal, but we see it happening increasingly on a day-to-day basis in our OMPP unit which administers all our automobile insurance claims in this province.

You have a subtle shift, if you like, on health care costs going from the public sector, in terms of what we classically think of as OHIP, into an automobile insurance product, the implications of which need to be thought about.

When we look at 164, I think you've heard ad nauseam about how complex it is. I can say, as a former lawyer—and I know Mr D'Angelo agrees with me; you've heard it from a myriad of lawyers—it is one of the most difficult pieces of legislation I've ever had the privilege, if I can call it that, to read. I started reading it one Sunday morning with a cup of coffee, thinking I'd breeze through it, and gave up in disgust and thought, "I'd better leave this so I can sit down at my desk and really work at it."

The expenses under 164 are no doubt going to increase. The minister's own words, when he introduced this document in the Legislature in January of this year, were that 164 will provide the most generous benefits in Canada. We agree it will. If that's the case, the costs are going to go up and the public is going to have to bear the price.

Costs going to go up not only because of the benefits contained in here, but as a result of the administrative costs associated with administering this act. Given its inherently complex nature, the claims administration costs alone are going to increase for the insurance industry. Claims handlers are going to have to interpret and apply a complex scheme of accident benefits compensation. They will be expected to calculate the net income of a claimant after performing applicable income tax calculations, and they'll have to do that a number of times over the life of a claim. They're also going to be expected to adjust the amount of weekly benefits payable to a claimant several times during the currency of the claim file. They'll also be expected to be experts in medical and vocational rehabilitation in order to effectively administer the accident benefits scheme.

I can only echo the points made by the person who was here, I think, three sessions ago on the rehabilitation side: We're starting to point ourselves into needing a mechanism to adequately deal with the victims of automobile accidents. I know we have set up a committee to look into it. I think as a company and a member of the industry we

laud that, but it is a difficult task. It is not something you can write a series of regulations around to deal with. I think we're starting to see the problems already, even in the OMPP system to a certain extent, with respect to the problems of administering rehabilitation.

Indeed, when we look at Bill 164 the way it's drafted, it is our view that we are going to see a proliferation of rehabilitation-type institutions, and this is going to be nothing more than a problem for the claimant and the industry. The claimant will be shuffled needlessly from one institution to another, not deriving any real benefit. At the same time, of course, this is an expensive process, and all we're doing is eventually causing premiums to go up. We're going to have to satisfy victims of accidents, and we're going to be creating a problem within the system.

1720

Bill 164 also creates a problem in that it doesn't deal adequately with disputes between medical practitioners. On the one hand, we could have a chiropractor saying somebody requires further treatment, and on the other hand, we could have a doctor saying the person is ready and able to return to work. I don't care, frankly, what doctor and what chiropractor we're talking about in this situation, whether they're an insurance appointee or a plaintiff's attorney's appointee, but the reality is there's no mechanism in the legislation to deal with a problem of that nature. It can be—and we've already seen it begin, to a lesser extent, under OMPP—a serious problem not only for the victim but for the whole system.

The question of fault: Listening to a few of the presentations this afternoon, when we start talking about fault, even going into the classic tort system that existed previously, in our view, fault plays a relatively minor role even in the tort system where there have been personal injuries. The reality is that the vast majority of victims of accidents are compensated in some way. Having said that, in our view you still need to penalize those who abuse the privilege, and I call it that pointedly, of driving on the roadways.

Looking at the OMPP legislation as it exists, I think a reasonable balance was struck. It's not perfect; nothing is perfect. Certainly, drunk drivers are penalized under this legislation in terms of not being able to receive weekly benefits or property damage recovery. There is a mechanism for the seriously disabled person to recover. I think a lot of the presentations, if you look at them, seem to point towards what you do about the catastrophic injury. Nobody minds that the catastrophically injured claimant has a right to be fully compensated. The tradeoff is that those who are less seriously injured give up something to make the system affordable. I think that is a delicate balance, one which Bill 164 fails miserably to deal with. Granted, it could be improved somewhat, but the OMPP legislation deals much more effectively with it.

At the same time, whether you're at fault in the accident or not, under the OMPP legislation you still get your basic economic recoveries; you're not destitute. If you're at fault for a reason that is truly punishable, it's picked up adequately within the OMPP legislation.

Looking at the complexity of Bill 164, I was really struck in the end that the reason it is so complex is that it

tries to be all things to all people. It is dealing with what is inherently a subjective analysis in the case of serious injury and trying to legislate it. This is virtually an impossible task, and I think reading the regulations proves it. What you've got to do in those serious cases, from which a lot of the complexity derives, is simply let them go into the tort system, through the threshold test as it exists. It's not perfect, but at least it works and assists the seriously injured claimant.

Certainly, our view, and from what I can see the view of the vast majority of people who come before this committee, is that the present system we have in place is proving more than adequate. It's basically working, as far as we can determine. Granted, there are probably glaring individual examples of abuses by insurance companies, by plaintiffs and by plaintiff-type attorneys with respect to the current system, but I think on the whole, in the great balance of things, it is a working, viable system.

For the minister to expect automobile insurance to provide expanded and enhanced coverage at essentially the same cost, as he envisages under this act, is simply unrealistic. We can't do it. The only way we'll be able to do it is if we are legislated out of what we believe is our right to make a profit.

What do we recommend be done? Our view is that the 164 scheme, particularly the regulations that are provided for under that legislation, simply be scrapped. It's the wrong time, it's badly drafted, it's going to cause an insurance crisis—mark my words—one to two years down the road, and we're going to be right back at it again and nobody's going to thank the industry, nobody's going to thank the Legislature, nobody's going to thank the legal profession for putting this bad piece of legislation into force.

There are some individual problems with the OMPP system. They can be addressed fairly quickly. Particularly, self-employed individuals, badly missed in the OMPP legislation, should have the right to simply buy a defined coverage limit for their business and their loss of income. That can be quickly input.

There are some other problems that I know people want addressed. Why not simply set up a task force, as has been done already with respect to the rehabilitation problem, and deal with them piecemeal within the context of legislation that is only now starting to become truly understandable to the industry in all its respects, rather than throw the baby out with the bath water?

Those are my comments.

Mr Tilson: Thank you very much for coming and giving us your presentation. I agree that if this legislation is passed there will be a crisis down the line. I think it's as clear as can be, a major crisis. I do also agree that with the minister's comments of generous benefits, someone's got to pay for them.

I have one question for you, and I hope I'm not insulting, but I think you're probably one of the smaller firms. Is that correct?

Mr Heins: We're the 15th largest in Canada. We are one of the smaller automobile writers in the province, but we are a fairly large company.

Mr Tilson: That's what I was directing my comments towards, because I don't think you spent too much time on the withdrawal provisions. I don't know whether you have any thoughts on that.

Mr Heins: It's a little difficult for us to withdraw, isn't it? Our head office is literally 15 miles from here. Where do we withdraw to? Zurich? London? We're here.

Mr Tilson: But you might decide to get out of the business.

Mr Heins: Oh, yes.

Mr Tilson: In other words, the minister has said: "Rates aren't going up. I don't care what you people say. I don't care if you're saying they're going up 20%. They're not going up, because you've made all kinds of money in the last number of years. You made \$1 billion in the first year of OMPP and you're ripping the system off. We're not going to let you raise the rates." You, on the other hand, say: "I'm sorry, Mr Minister, this is what you've done to us. We simply can't operate."

Mr Heins: As a Canadian-based carrier, if the rates were to be frozen, we would literally have no choice but to likely withdraw from the line of coverage, simply because we have nowhere to retreat to. The property and casualty industry is dominated by foreign-owned carriers; roughly two thirds of the industry is foreign-owned. For them, it's an easier process, if you like. Maybe it's difficult enough, but at least they have a territory that they can back into, and by and large, often a friendlier territory. We have nowhere to go, so we must simply terminate the line of business, lay off people and that's the end. Otherwise, we go bankrupt.

The Chair: Go ahead, Mr Harnick.

Mr Harnick: How much time do I have, Mr Chairman?

The Chair: You have two and a half minutes left.

Mr Harnick: Mr Heins, I know your background and I know your experience in dealing with innocent injured accident victims. Do you agree with me that to pay a student who will never work again the equivalent of \$391 a week for life is, to say the least, cheap?

Mr Heins: Certainly, if that student has the ability to go on and contribute as a viable member of the workforce, obviously it's unfair.

Mr Harnick: It's morally wrong, isn't it, for an innocent person to be capped at what essentially is lower than the poverty line?

Mr Heins: It would be if otherwise he had other rights, yes.

Mr Harnick: In terms of fatalities: You have handled fatalities for innocent accident victims yourself. Can you conceive of a 35-year-old breadwinner making \$40,000 or \$45,000 a year who is killed in an accident leaving a spouse and two children and having his family, if he's been an innocent victim, given \$117,000 to look after them for life? Can you conceive of that?

Mr Heins: In that context, no.

1730

Mr Harnick: It's wrong, isn't it? It's morally wrong for someone who's innocent to be told, "All you get to live

on is \$117,000, because that's all your spouse was worth and that's all he was producing." Do you agree with that?

Mr Heins: If that is not representative of what that person would have otherwise got, it's obviously not a fair result.

Mr Harnick: I understand under OMPP, or the previous system to that, that claim would be worth somewhere in the nature of \$600,000 to \$700,000.

Mr Heins: I'll answer your question in another way. The problem, as we saw it under the previous tort system, was not the catastrophic injury. The problem was the proliferation of smaller injuries that basically beat the system to death. When I started practising, I used to resolve soft tissue injuries for \$3,000 to \$5,000. I was signing cheques in 1987 for as much as \$200,000 for the same type of injury. That's what killed the system.

Mr Harnick: But don't you agree that if someone has suffered a serious injury, he's entitled to be compensated?

Mr Heins: That is why the threshold system, in our view as an industry and as a company, works. It allows the catastrophically injured claimant to be fairly compensated, or even the seriously injured claimant.

The Chair: Sorry; time's run out. Mr Cooper.

Mr Mike Cooper (Kitchener-Wilmot): Thank you very much for your presentation. Several brief questions: Do you believe that auto insurance was ever set up to be a life insurance plan?

Mr Heins: To be a life—

Mr Cooper: A life insurance plan, as Mr Harnick was alluding to about life insurance benefits.

Mr Heins: Well, it's a compensatory system. It's not a fault system, as we see it; it's a compensatory system. At the moment and, really, even under the tort system, it was moving into really a disability system. If you want to call that life insurance, I'll go along with you, but it's basically an accident disability plan.

Mr Cooper: Thank you. I believe you were here during PAIN's presentation and they were showing the pie charts.

Mr Heins: Yes, I couldn't see it, but I was—

Mr Cooper: It was basically a third on the profits of brokers' fees and operating fees, and on page 3 you've got there about the costs going up, all the things that are going to be affected by Bill 164. Is there any way you can reduce that section?

Mr Heins: The acquisition costs in the profit section? Which section are you talking about?

Mr Cooper: The brokers' fees, profit, operating fees; about a third of the pie.

Mr Heins: The number that was mentioned was 35%. I find that high. Certainly, it's high for our own company with respect to automobile insurance. The number really runs, in my view, between about 22% and 30%.

Mr Cooper: So you believe that as benefits are increased, premiums have to increase.

Mr Heins: Yes.

Mr Cooper: One last question about the comprehensive scheme. Basically, what you're saying there is, "The

government is attempting to establish a scheme which attempts to deal with every possible economic consequence which may be suffered by an injured person as a result of an accident." Basically, what we're doing is to bring more people into this and you're saying we should leave them out because of the high cost?

Mr Heins: No, I'm not. What I'm saying is the weakness of 164 and why it is so complex is that you're trying to put into writing a whole combination of variables, and when you finish doing it, it's a jumble. What I am saying is, don't even try to do it. Go back to the threshold, which is much easier to understand, not only by the industry but by the public, and deal with those people that way. That's the weakness in the legislation. It's foolish to take the route that's being taken.

Mr Cooper: Thank you. I'll defer to Mr Owens now.

Mr Owens: I'd like to thank you, Mr Heins, for your presentation. I'd just like to correct a comment which was made on page 4 with respect to no provision for dealing with a conflicting opinion scenario. In fact, there is provision within the regulation for a third opinion to be rendered before the case, if necessary, moves into mediation and arbitration.

Mr Heins: While I am a lawyer by background, I'm not an expert. My expert tells me not in all contexts.

Mr Owens: In terms of your comments on page 5 with respect to drunk drivers etc, I think you touch on a point that people have alluded to throughout these proceedings, that no-fault does not necessarily mean no responsibility. I think Pat Mazurek referenced it earlier this afternoon in terms of the numbers of accidents that are continuing to happen.

As a person who as recently as December of last year got my driver's licence for the first time in my life, and as a graduate of the Young Drivers program, I'm completely amazed at the kind of lunacy that takes place on the road, and unfortunately we can't legislate common sense; we can't legislate courtesy; we can't legislate intelligence quotient.

What we are prepared to legislate, however, is the road safety agency and it's our view and the view of your group and other groups across the province that the road safety agency is to play and should play a major role in the reduction of accidents. You're right, we should not only be looking at the end of the system; we should be looking with a view to keeping people out of the system.

Mr Heins: I have to agree with your comments. If you get in your car at 2 o'clock in the morning and are on the QEW between Hamilton and Toronto, what you see happening on that highway is unbelievable.

Mr Owens: Yonge Street at 4:30 in the afternoon.

The Chair: Okay, gentlemen, I'd like to thank you for coming before this committee and I'd like to—yes, Ms Mathysen.

Mrs Mathysen: I would like to put something on the record before we adjourn. I simply wanted to draw your attention to my request. It's very brief.

The Chair: Okay, go ahead.

Mrs Mathysen: Basically, this has been a very emotional and difficult committee process, but all the presenters

except one group came here and had the courtesy to remain within the time constraints. I believe it is an affront to people like Mr Palk, Ms Helden, Ms Newell and all those people who came here and behaved in a courteous fashion. Their message was just as important as the PAIN group, and yet PAIN got more time because they were bullies

and used bullying tactics. That, I think, deserves comment, and the fact that they were encouraged is also equally reprehensible. I want that to be very clearly on the record.

The Chair: Okay, thank you. This committee's adjourned until February 9 at Queen's Park at 10 am.

The committee adjourned at 1737.

Substitutions present / Membres remplaçants présents:

Abel, Donald (Wentworth North/-Nord ND) for Mr Jamison
Cooper, Mike (Kitchener-Wilmot ND) for Mr Ward
Cordiano, Joseph (Lawrence L) for Mr Kwinter
Harnick, Charles (Willowdale PC) for Mr Sterling
Huget, Bob (Sarnia ND) for Mr Christopherson
Mancini, Remo (Essex South/-Sud L) for Mrs Caplan
Mathysen, Irene (Middlesex ND) for Ms Ward
Owens, Stephen (Scarborough Centre ND) for Mr Sutherland
Tilson, David (Dufferin-Peel PC) for Mr Carr
Winninger, David (London South/-Sud ND) for Mr Wiseman

Also taking part / Autres participants et participantes:

Kormos, Peter (Welland-Thorold ND)
Soth, Sylvie, interpreter

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel:

Chan, Rebecca, assistant to the clerk
McNaught, Andrew, research officer, Legislative Research Service

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- ***Acting Chair / Présidente suppléante:** Mathysen, Irene (Middlesex ND)
- Vice-Chair / Vice-Président:** Sutherland, Kimble (Oxford ND)
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- *Phillips, Gerry (Scarborough-Agincourt L)
- Sterling, Norman W. (Carleton PC)
- Ward, Brad (Brantford ND)
- Wiseman, Jim (Durham West/-Ouest ND)

*In attendance / présents



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F-25

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Legislative Assembly of Ontario

Second Intersession, 35th Parliament

Official Report of Debates (Hansard)

Tuesday 9 February 1993

Standing committee on finance and economic affairs

Insurance Statute Law
Amendment Act, 1993

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mardi 9 février 1993

Comité permanent des finances et des affaires économiques

Loi de 1993 modifiant les lois
concernant les assurances

Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 9 February 1993

The committee met at 1005 in committee room 1.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993 LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Acting Chair (Mr Bob Huget): It's shortly after 10 am. I apologize for the delay.

MEL BASBAUM
PATTI LEONARD
M. ALAN J. FINLAYSON

The Acting Chair: The first group to present this morning is the Chedoke-McMaster Hospital. Could you come forward please, take a chair behind the microphones and identify yourselves for the purposes of Hansard, and we'll be under way.

Mr Mel Basbaum: My name's Mel Basbaum.

Ms Patti Leonard: I'm Patti Leonard.

Dr M. Alan J. Finlayson: Alan Finlayson.

Mr Basbaum: Perhaps we should clarify that while we are all employees of Chedoke-McMaster Hospital, we're not officially representing the hospital in this capacity.

Mr Remo Mancini (Essex South): That's why we put you on the list.

Mr Basbaum: Okay. Well, Hansard now has that right.

The Acting Chair: It doesn't matter. It's there for all time, sir.

Mr Basbaum: Our formal presentation will be brief and then hopefully we can spend a fair bit of time in responding to your questions and issues.

We'd like to compliment the government on its proposed revisions to the Ontario motorist protection plan. We spoke at the previous hearings and had a number of concerns which we're pleased have been addressed in this most recent draft. These include elimination of the threshold, elimination of lifetime limits on rehabilitation and long-term care benefits, increasing the weekly indemnity to cover 90% of all wage earners, and finally, indexing of all benefits.

Some concerns still remain with the proposed amendments:

(1) Care giver benefits: The maximum benefits to care givers have limits which our experience suggests do not reflect the actual costs that may be incurred.

(2) Education disability benefits: The legislation provides compensation based on a percentage of the average weekly earnings, AWE, in Ontario. The legislation is condemning those with the most catastrophic disabilities to a standard of living which is not only below the AWE but does not recognize their true earning potential. Though we recognize the difficulty in defining potential earnings, there is the need to re-examine the legislation in an effort to develop the fairest mode of compensation.

(3) Other disability benefits: Those individuals who do not qualify under IRB, education or care giver benefits will receive a non-indexed benefit of \$185 per week if over the age of 16. We do not understand the rationale for singling this group out for a non-indexed pension.

(4) Attendant care benefits: While the elimination of the lifetime maximum on attendant care benefits is a positive move, maintaining a limit of \$3,000 per month, approximately \$100 per day, would restrict those individuals who require 24-hour attendant care. The reality is that these individuals comprise a small percentage of injured persons; however, the \$3,000 per month maximum could severely limit their quality of life and community living options. The cost of lifelong living options could be up to three times that amount.

(5) Exclusions: The proposed plan continues to exclude those convicted of drinking and driving or convicted of an indictable offence in the operation of an automobile. These individuals should be subject to the full measure of the law as it would be applied to any individual. On the other hand, refusing benefits not only denies the basic tenet of no-fault insurance but it also transfers the responsibility for services to the province by virtue of the need to access social assistance, vocational rehabilitation services and, if necessary, long-term care facilities. There is also an element of punishing the care giver, ie, the family, for the action of the claimant, as well as denying the claimant reasonable access to benefits and rehabilitation.

(6) Finally, subrogation: The OMPP transferred the costs of hospitalization and medical treatment to an already overburdened health care system. Rather than continue to encumber impoverished institutions, we recommend that health care costs be reimbursed to OHIP.

The current proposals also have some potential problems. The issue remains that standards do not exist which facilitate access to appropriate rehabilitation services or ensure timely arbitration when there is a dispute.

(1) In the resolution of disputes between the insurer and the insured person, the same guidelines which exist for other disciplines should exist for the physician. In other words, the physician should be qualified to assess and/or treat the insured individual's disability. For example, a gynaecologist would not be suitable to offer an opinion on someone suffering from a head injury, but would be

suitable for someone complaining of severe, chronic pelvic pain.

(2) Disputes should be handled in a timely manner. This would help to prevent the development of psychological distress, increased disability and increased burden on the health care facility, problems which develop as a result of continued delays.

(3) Potential conflict of interest may arise in the provision of rehabilitation service if there is no distance between the insurer and the service provider. The certification of the insured person should be conducted by a disinterested third party who would not benefit from the provision of rehabilitation services. Anyone who is providing health, legal or insurance services should not benefit financially from rehabilitation services rendered.

(4) Standards: It's important to ensure that people have access to assessment and treatment options provided by individuals who are competent and qualified to provide service and are at arm's length from the referral source. The need exists for the development of standards for rehabilitation specialists and case managers. In the past several years, a large industry has developed in the absence of standards or regulations. The government of Ontario must provide leadership in the development of standards and qualifications regulating this industry.

(5) Finally, another potential abuse is the trend to increasing involvement by US health care services. At present, we are aware of marketing efforts towards Ontario clients who now appear to have unlimited access to motor vehicle insurance dollars. This could lead to inappropriate or unnecessary expenditures which could be directed to more appropriate and less costly service options in Ontario. This could be prevented if US access is allowed for rehabilitation only in situations where appropriate provincial resources cannot be provided in a reasonable period of time. OHIP has recently reviewed and delineated new policies for out-of-country access which may be helpful for this committee to review.

We thank the committee for this opportunity to present our concerns. We trust that our collective clinical experience will assist in your deliberations, and we'd be pleased to respond to any issues you might have.

The Acting Chair: Thank you very much.

Mr Mancini: How much time do we have, Mr Chairman?

The Acting Chair: We've got approximately six minutes per caucus.

Mr Mancini: I want to thank the presenters for their brief. Actually, it's quite good and right to the point. It cut through a lot of the unnecessary rhetoric and got right to the issues, which are important to people who would ultimately have to use the services of health professionals and the services of the insurance industry when and if they needed it.

I don't disagree with many of the things you've said. All of the things that you favour are in fact benefits. All of the suggestions that you've made in regard to the delivery of health care services make good common sense. I won't dispute any of the suggestions you've made.

The only area I take somewhat of a different view on is whether or not all of the so-called benefits and changes in Bill 164 are in fact benefits and changes. When we look at the fact that the right to sue for economic loss has been exchanged for the right to sue for non-economic loss and on top of that there's a \$15,000 deductible, don't you agree with me that this is not really a good tradeoff for the consumer, ie, the injured victim?

Mr Basbaum: I guess I look at it from the perspective of a service delivery professional. Having worked, in my case, in the area of spinal cord injury rehab for 20 years, the major difference since the previous introduction of increased no-fault benefits has been the ability to deal with the rehabilitation needs and the reintegration of individuals into the community in a much quicker and more efficient way that is much more helpful to the individual in terms of his own quality of life and also less costly to the health care system with extended delays in terms of discharges from hospital.

Mr Mancini: I accept all of that. I accept everything you've told us in that regard. But I'm concerned about what happens to people's families in the case of a fatality. These are the briefs we've received over the last couple of weeks. We've had numerous litigation lawyers before us, numerous other experts before us, and they have given us case scenarios which indicate without a shadow of a doubt that in the case of a fatality, a young working-class person's family would be reduced to living below the poverty line because they could not sue for economic loss.

I'm sitting here and I'm saying I appreciate that the government wants to increase benefits. I appreciate the fact that we need indexation. I appreciate the fact that they want to remove caps. I appreciate all of that.

Now we move over to the next issue of concern—and don't forget there's going to be a cost for that. There's going to be a premium increase, and there have been numerous witnesses, from the senior citizens, every group imaginable, who've told us that the \$200-per-year policy increase is not worth the benefits. We can talk about that in a moment.

I accept everything you've told me on the delivery of the health care. I'm not here to dispute that with you. I'm here to talk about the other parts of the bill, because we have to look at Bill 164 in its entirety. It's got to be an entire package, it's got to be fair, it's got to be balanced, and it has to be a special commodity that people can afford and pay for.

Do you not agree with me that, removing the right to sue for economic loss, specifically in cases of fatalities, specifically in cases where people are rendered quad, they in fact will receive less under Bill 164 and their family's need is greater?

Have you seen the presentations we've looked at?

Mr Basbaum: Not all of them, no, not entirely.

Mr Mancini: Then maybe you're at a slight disadvantage, but the record will show that wherever we've travelled and whomever we've heard from during the course of a day, we've had unrefuted evidence, documentation, that shows that the right to sue for economic loss should not be

taken away and exchanged for the right to sue for pain and suffering with a \$15,000 deductible.

The other concern I have is on the whole issue of the increased weekly benefits. Are you aware that the way the regime is set up now, people earning under \$40,000 will actually be subsidizing people earning up to \$80,000 and \$90,000, because in order to get the \$1,000 a week, you have to earn about \$1,700 or \$1,800 a week? Are you aware of that? Are you aware of how that regime is working?

Mr Basbaum: I thought it was based on 90%.

Mr Mancini: That's right, and there's nothing in the policies that says, "You're earning \$40,000 a year and therefore you'll be discounted \$63 and you're earning \$85,000 a year so you'll be incrementally increased \$85 so that the person earning \$40,000 a year is not subsidizing the person earning \$90,000 a year through his premiums." Are you aware of the information we've received in that regard?

Mr Basbaum: I'm not sure I understood the—no, obviously not. Do you understand that, Alan?

Mr Mancini: I have no further questions, Mr Chairman. Maybe Mr Phillips has.

1020

The Acting Chair: Thank you, Mr Mancini. Mr Tilson.

Mr Gerry Phillips (Scarborough-Agincourt): Are we out of time?

The Acting Chair: Yes.

Mr David Tilson (Dufferin-Peel): Are you familiar with the current system, what is known as the OMPP?

Mr Basbaum: Yes.

Mr Tilson: Is it working?

Mr Basbaum: I'll let my colleagues respond as well, but from the point of view of someone in the service delivery aspect, yes, it is. It's working a lot better than the system we had before, which involved tort, in which we saw a great many people lingering in hospital beds while waiting for something to occur through the court system.

Mr Tilson: It may well be that I don't understand what your position is. You seem to be supporting this legislation. The type of people you are going to be assisting are the serious types of injuries.

Mr Basbaum: That's right.

Mr Tilson: Those people are going to be sitting under tort under this legislation, if it's serious.

Mr Basbaum: They are, did you say?

Mr Tilson: They will be.

Mr Basbaum: Only for pain and suffering.

Mr Tilson: They don't have anything else. They've taken everything else away. Everything else is gone. There is no economic loss. That's what Mr Mancini is trying to raise. That's the very point. That's why I guess I don't understand your position. It's as if you're thinking that tort is evil, and it may be in certain cases and not in others, but I guess the type of people you will be assisting will be those who have sustained, to use your words, pain and

suffering over \$15,000. You're going to be seeing the same people anyway.

Dr Finlayson: If I may comment, I work in the head injury field, and we do see people currently who do not qualify for the current threshold. The difficulty we have with parts of your questions, Mr Tilson and Mr Mancini, is that we are neither accountants nor lawyers. We have tried to address ourselves to our area of expertise, which is rehabilitation. From our perspective—and that may be a limited perspective in terms of this current bill—we feel that a number of the changes have been very positive and have facilitated the kind of work in which we are engaged and about which we can speak.

Mr Tilson: I guess the difficulty we have is, there have been very few people. There's been a number of people who have been injured who've come and said they didn't like the OMPP because they didn't qualify for it. The threshold test was too high. That's been a criticism. We've had individuals come to the committee who have said that.

But I guess other than that, the question is, is it working? If the test can be modified, through either the courts or an amendment to the test—and from your perspective you don't care about that. Your concern is whether these people are going to be helped, which gets to my real question, and that is, we're all very worried about where the health system in Ontario is going. Is there going to be enough money to fund hospitals to care for people?

Dr Finlayson: Actually, what has happened with the current legislation is that it has improved rehabilitation services for a number of people; for example, people with minor head injuries who often wouldn't come to the attention of the hospitals are now able to be serviced quickly without waiting for tort action.

Mr Tilson: That's assuming the system's going to work, because the insurance industry has come to us, whether it's a broker, whether it's a claims examiner, whether it's a company, and they're saying rates are going to go up, notwithstanding the fact that the ministry is saying the rates aren't going to go up.

I guess the fear is that by creating this new system from a system that was already working, generally speaking, with the exception of the problems with the threshold, and more and more people are saying, "Maybe we can fix up the threshold," the general system is quite a drastic change.

The question is, can it be paid for? It gets back to that question of cost. I guess that's the fear: the uncertainty that the insurance industry is saying, "We don't even know what this is going to cost, we don't even understand all these benefits." Nobody understands them. I'll bet you don't understand them.

Mr Basbaum: The other thing is that the insurance company was also the one, if you recall, who said that rates would continue to increase if we maintain tort, and that was one of the reasons it was basically eliminated, except in threshold cases, in the last legislation. It's a no-win situation. If we provide full rehabilitation services without tort or without tort for other than pain and suffering, it's

going to cost too much, but if we provide tort, they're going to say the same thing, I would suspect.

Mr Tilson: I guess we have a system that started with the OMPP and, yes, the members of the Progressive Conservative Party and the members of the NDP fought tooth and nail against that legislation, but it's there. There are suggestions that it's not working, or maybe there should be more time allowed to let the system work.

In other words, the question that remains is why we are changing it. Why are we changing the system if you've got a system that generally speaking—because I don't imagine any system is perfect. But why are we not providing more time? Why are we not providing more time to answer the question you've raised, that the threshold test may be too high and maybe it should be modified? The courts are in the process of changing that now. Is this legislation premature?

Dr Finlayson: That's, I think, a political question. From our point of view—

Mr Tilson: I'm sorry. It's a what question, sir?

Dr Finlayson: A political question, I think.

Mr Tilson: I'll say.

Dr Finlayson: Again, just let me narrow our perspective to that of people working in the rehabilitation field. We did feel some changes were necessary and those changes we are supporting are those that remove the limits on long-term care support, and in fact we're asking that those be increased. Secondly, we did not feel the benefits for rehabilitation were adequate and we wish to support motions to improve those.

Mr Stephen Owens (Scarborough Centre): Surprisingly I, unlike my colleagues, will deal with the issue you actually came here to talk about today, and that is rehabilitation.

In terms of the issues you've addressed here this morning, they form part of the regulation and, as you know, the draft regulation is still that, a draft. We certainly appreciate your suggestions with respect to issues around the care giver benefits, education, disability benefits and other disability benefits and attendant care.

In terms of the attendant care benefits, you're aware that a task force has been set up to look at the \$3,000-a-month cap and, I think just as importantly and perhaps even more importantly, to set up standards of rehabilitation which you addressed on the next page of your brief.

Currently, how do you view the standards that exist for the treatment of those who are most catastrophically injured? Are they in fact effective for all persons? Is there a way we can look at tightening up the kinds of standards with a view to providing the highest level of efficacy to the most catastrophically injured accident victim?

Dr Finlayson: I think, Mr Owens, the issue is not tightening up the standards; I think the issue is developing them. There are no standards for care. Those standards that do exist exist within the ethics and professional guidelines of individual disciplines. There are no standards that we are aware of for rehabilitation services.

Mr Owens: While Mr Mancini is sitting here agreeing his government did nothing around this issue with respect to their passage of OMPP.

Mr Mancini: That's why the bill had to be reviewed in two years. It's right in the legislation.

Dr Finlayson: We have been talking with several governments, in fact all three of the represented parties, with developing standards over the last 15 or 20 years, so it's an issue I think everybody can share some guilt for.

Mr Owens: We are, in my view, the first who will actually sit down and will have set up the task force with respect to setting those standards. As a person who is involved in the Regulated Health Professionals Act, again a bill that has transcended three different governments, it's my view again that we need to be providing the kind of rehabilitation with a standard of practice that ensures the protection of the patient or the victim and gets that individual back into the workplace and contributing as a member of society.

Are you going to be involved in that task force in terms of submitting information, suggestions for standards of care?

1030

Dr Finlayson: We would be if we knew how to address it.

Mr Owens: Okay. We have some ministry staff here and we will be pleased to chat with you afterwards.

In terms of some of your points with respect to the proliferation of rehab centres, especially, I believe, private sector rehabilitation, the US health care services that you've identified, our government shares the concern of your group and many others that a person on day one is an auto mechanic and by day three he or she is a rehab specialist. What is your experience in terms of dealing with these kinds of agencies, and in fact have you had to deal with the sequelae of a person who has been through a service like that?

Dr Finlayson: Our experience is mixed. We are able to work quite successfully, hand in glove, with some private rehabilitation firms, and there are those with which we have had a great deal of difficulty. One of our biggest concerns is the beginning of a trend: For example, a young man who had been working out of his own home, his insurance company approached the family about sending him to the States for rehabilitation treatment at the expense of the charges to the no-fault insurance at a cost much, much higher than for the service that we were providing, which is, I think, an adequate and excellent service.

Mr Owens: Just one last question, sir. In terms of the government's commitment to long-term care reform, do you see this as playing a role in rehabilitation? It's our view that long-term care should be a continuum, that people have the opportunity to opt in as required, and ultimately to try and give people the best quality of life in the non-institutional setting. Do you have a view on how the long-term care process that we're undergoing can dovetail with your concerns and our concerns with respect to rehabilitation?

Mr Basbaum: Certainly they can dovetail and many of the recommendations within the long-term care reform would be consistent with it.

To digress just a little bit, since you've raised that, one of the concerns I have is that we treat the disabled in terms of categories in many cases, whether they have had an employment injury, a motor vehicle injury or they slipped on the ice and injured themselves. I think part of the problem is that, depending on how you were injured, the kinds of rehabilitation you're entitled to, financially anyhow, become very different.

In terms of the long-term care reform, I think what needs to be done in that respect is that we need a more uniform approach where people who require services are eligible for those services, and it has nothing to do with whether they happen to walk out in the middle of Yonge Street or happen to fall off their balcony. I think that's part of the problem.

Mr Owens: Absolutely.

The Acting Chair: Thank you very much. On behalf of the entire committee, we'd like to thank each of you for coming forward this morning and presenting your views, and I would encourage you to stay in touch with the committee as this legislation proceeds through the process, either through the clerk or through individual members of the committee. Once again, thank you very much for coming forward this morning; we appreciate your time.

Mr Owens: We will certainly follow up in terms of your concerns with respect to the task force and input as well. Thank you.

ONTARIO HEAD INJURY ASSOCIATION

The Acting Chair: The next group is the Ontario Head Injury Association and I assume you're taking your place now.

Mr Raymond Rempel: Yes, sir. I'll grab a coffee.

The Acting Chair: Right on. That's what it's there for.

Good morning, sir, and welcome. Perhaps you could identify yourself and proceed with your presentation at your leisure. Please try and leave some time for questions and answers and dialogue among the committee members.

Mr Rempel: My name is Raymond Rempel and I'm a co-founder and the executive director of the Ontario Head Injury Association. I'm a member of the provincial brain injury advisory committee to the Minister of Health and a member of the provincial rehabilitation advisory committee as well, to give you a bit of background on our interest in rehabilitation.

I want to just scan my report for you and take you through it very quickly. We have 10 suggested changes to Bill 164, and I want to hit on five points on the way to those 10.

If you go down to the second paragraph of the introduction, just to help you understand, first of all, I understand that probably 80% of the cases that become problems for insurance companies really are the result of a blow to the head, traumatic brain injury, so you need to understand

that damage to the brain need not be severe or dramatic to be life-changing.

Trauma to the brain causing cognitive and behavioural deficits occurs even when there is no direct blow to the head. According to the Center for Cognitive Rehabilitation, just outside of Seattle, Washington, permanent brain injury can result from a person being thrust forward and backward in an automobile without actually striking the windshield. Professionals refer to this as minor head injury. We refer to it as frequently life-altering minor head injury.

If you turn the page to page 2, the first of the concerns we'd like to address is attendant care benefits, the ongoing care provided to the individual. Suffice it to say that in his recent press release regarding the rehabilitation standards committee Mr Charlton has set up, he indicates that this legislation removes the caps. But for a person who is significantly impaired, especially cognitively, \$3,000 a month is a heinous cap. I'm aware of costs for long-term care and for attendant care, and I can assure you that anything approaching efficacious care for a person who requires ongoing support is not going to be handled at \$3,000 a month. We're looking at \$200 to \$600 a day. So that's one item that needs to be addressed.

Secondly, "Loss of Opportunity," at the bottom of page 2: This is an interesting scenario, if you'll just follow through with me. We recently polled recent university graduates to find out how many of them knew what they were going to do and what they were going to be and how they were going to do it before they began university, and 70% of them indicated that they changed direction and spent more time in school and sustained additional costs as they worked towards establishing a career that they finally fell into. Many of them also further indicated that they anticipated that they would go back to school and that they would incur additional costs from time to time throughout their lifetime.

To people who have never sustained a physical, emotional or cognitive disability, life is full of opportunity and choices. To those of us who have never experienced a disabling condition, we consider changing our mind and exploring our opportunities as a basic human right. But these basic rights are available to us because of financial options and opportunities and are not available to people with disabilities who are dependent on a fixed, minimal pension. For some, the settlement resulting from future care costs is their only hope to having choice.

I run you through the story of Jeremy. Really, it was deemed by the health care professionals that his life was going to be very limited and that he was going to be a burden on society and his family for the rest of his life. He ultimately sustained a settlement, and through a tremendous amount of input from health care professionals, friends and community, and at a cost of \$17,000 a year, pursued his dream of becoming as good an athlete as he could become.

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New lives don't come cheap. It cost Jeremy \$17,000 a year to continue his athletic career, which has progressed to the Paralympic level. It is what he learned in that pursuit that has given him the skill and knowledge to

re-enter society, both vocationally and socially. Jeremy is married, has a job and is a world record holder in athletics. The Jeremy story is an unusual one, but it's a fair example to provide to you.

When you take away that right to go after dollars to provide people with options, the implementation of Bill 164, with all of its good points, guarantees that anyone who sustains injury in an auto collision has a future devoid of opportunities and choices. I urge you to withdraw that section, which is punitive to people who have experienced the problems Jeremy experienced.

Remember what I just said. They've had their primary asset taken away from them and we who are able-bodied are left with that asset, able-bodied and willing to get on with life. You've got to take that indictment off the shoulders of the people who have really been restricted to a very reduced lifestyle. Statistics Canada's health study indicates that 22% of people who identify themselves as brain-injured never ever leave their home; not to go shopping, for sure not to go to work, not even to go visit friends and relatives. That's why you need dollars to create opportunity.

If you go to the second column on page 4, "Access to Proper Rehabilitation," this is an interesting one. I appreciate your dilemma in attempting to construct the legislation, I really do, but look at it from our perspective. Until the inception of Bill 68, control of treatment and care was the obligation of health care professionals who had the best interests of the diseased party in mind. They ordered and directed and OHIP paid. Right? You went to your family doctor if you needed a program of rehabilitation. He ordered and directed it. It was provided and OHIP paid for it.

Bill 164, however, puts the financial gain of the insurer equal to the prognosis and diagnosis of a doctor and/or a referring health specialist. No longer is good health care contingent upon good medical-psychological decision-making skills; rather, it becomes the debating skills of the insurance, health care and legal staff against the practitioner who is looking after my best interests that determines opportunity for most appropriate rehabilitation.

At the Ontario Head Injury Association, we were under the impression that Bill 68 was designed to effectively remove the insurance companies' right to veto appropriate treatment and rehabilitation for persons who sustain brain injury in motor vehicle collisions. Although the government claims to remedy that with Bill 164, you've only been successful in making cosmetic changes to that aspect of the bill. For anyone who lives with cognitive difficulties as a result of a brain injury sustained in an auto collision, the arbitration-mediation process has become too complicated and intimidating for them to be capable of assessing it.

You've got to remember that here you've got a person whose ability to reason and make good decisions has been removed from him; 80% of auto insurance injuries will go in this direction, and now he's got to go to arbitration and mediation. They can't hire anybody because there's no money available for them to hire anybody, and they go up against Fred Smith, super-duper lawyer for XYZ Insurance Company.

When an injured person's doctor recommends treatment, according to Bill 68 it would appear that the insurance company is obliged to pay for that treatment. The patient is usually referred to a service provider for recommended treatment, which is not commenced until funding with the insurance company is arranged. There is no privacy or contract or any vehicle for direct dealings with the insurance company and the service provider. The incredible power held by the insurance company over both the injured person and his service provider must not be underestimated and cannot be overstated.

The rest of this all ends up in Hansard anyway, but if you go to the top of page 6, it is still the burden of the injured person to wade through the morass of documentation and examinations and mediation and arbitration proceedings. When someone trying to adjust to the life changes caused by a brain injury has the added burden of dealing with the Goliath of Ontario's mammoth insurance companies, Goliath is going to win.

By forcing someone with a brain injury to take action of which he is incapable, the insurance company is effectively determining the treatment protocol for that person. In the event of a dispute, the insured person still needs to retain someone to aid his attempt to obtain the necessary funding for appropriate rehabilitation.

Although people in the employ of the insurer may assist the person with the brain injury in completing forms etc, it must be remembered that there is a conflict of interest as the insurance company's representatives are motivated to save costs for the insurance company. In any other profession, having an employee of the benefiting company assist a claimant in this manner would constitute a legal and ethical conflict of interest. However, under Bill 164, this is accepted business practice and it is really the only alternative open to someone with a brain injury.

If you go to page 7, the second column, "Loss of Future Income," if you review that, there's just more documentation of what I said earlier.

Then on page 8, the first column, "Standards and Regulations," I appreciate the intentions of the Honourable Mr Charlton in his recent announcement to establish regulations, but I want to address it here and I think it's appropriate. I appreciate his intentions and I have high regard for him as an individual. When it comes to health care matters, I had much more regard for the Honourable Frances Lan-kin, and I trust I will for Ms Grier as well; I haven't met her and don't know her. But we frankly were appalled that the Minister of Financial Institutions would get into the health regulations industry.

We trust that Ms Grier, while she's in Health, won't get into the Financial Institutions regulation and policymaking industry, and we have to plead with you to ask him to back off and to defer rather to the Minister of Health and to her coordinator of rehabilitation. She has a department that does nothing but coordinate and develop policy for rehabilitation. He can invite whomever he wants, and 80% of them can be insurance people if they have the kinds of backgrounds to create appropriate health care regulations, but please, I trust that was an error of judgement. I respect him immensely, but we've got to make an issue of that.

We thought maybe we were wrong and that maybe the people who had been appointed were truly experts in rehabilitation. We did a literature review in the health and medical journals and we couldn't find one article that any one of those had written that would demonstrate any level of competence or expertise in that.

On page 8 then, the suggested changes to the bill, at the bottom of the first column the first one is: scrap the announced task force. Ask the Minister of Health to have the coordinator of rehabilitation appoint a task force to develop standards and regulations for the rehabilitation industry.

Secondly, long-term care costs must realistically reflect the disabilities caused by brain injury. This can be accomplished by removing the monthly cap, and then going on from there.

Thirdly, settlements reflecting future economic losses and loss of opportunity for the injured person's lifetime must be allowed.

Next, the person determining the amount to be paid by the insurance company for home care and future care must have recognized expertise in the field of injury—it's not just brain injury—to ensure that these figures are realistic and fair.

In the instance where an injured person is required by the insurance company to complete forms or documentation in order to continue to receive benefits, the insurance company must pay for that person to consult independent legal counsel of his own choosing to assist him. This only makes sense. The person purchased the policy with the intent that the policy would be there to help him, and now he has to go out and spend money that he doesn't have in order to save his benefit.

Next, as with OHIP, arbitration and mediation should not exist. When I have a disease that falls under OHIP regs, nobody mediates and arbitrates and doctors don't bring in expensive lawyers to say I shouldn't have that treatment. I get it because it's needed. That's the way it has to be under the OMPP.

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Next, should such a change to the act not be deemed to be in the best interests of the insured—in other words, if mediation and arbitration continue—then surely you have to allow legal services for the individual that match the skill and knowledge of the legal services employed by the insurance company. Obviously, it would be the insurance company that would pay the solicitor and client rates, because I'm the one who bought the policy in the first place, not the insurance company.

Next, the concept of mediation and arbitration to date has been foreign to health care within the province of Ontario. That's a repetition.

The next one on page 9, down near the bottom: Penalties incurred against the insurance company if arbitration remains must be severe enough to reflect what the injured party has suffered as a result of the insurer's refusal to pay.

Last, if the necessity of mediation and arbitration panels continues to exist with Bill 164, panel members should be required to consult with recognized experts in the field of traumatic brain injury and the insurance company

should bear the costs of these consultations. We can't have well-meaning folks making decisions about very complex impairments and treatment models if they don't have identified and accepted skill and knowledge levels.

I appreciate the tremendous amount of energy your government has put into attempting to make this workable legislation. It ain't easy stuff. We trust you will listen to us carefully, because we represent the people who bought these policies in the first place and then unfortunately have to use them for what they were intended.

The Acting Chair: Questions. Mr Harnick, Mr Tilson.

Mr Tilson: Thank you, sir, for coming. Some of the issues you've raised are new and some of them have been rephrased. As you can imagine, we've heard all kinds of submissions around the province.

I was interested in the comment you made, particularly on page 8, about suggested changes to Bill 164. The government spent a great deal of time boasting about how it's going to have a task force that's going to deal with a lot of these questions that have been raised throughout these hearings, and I appreciated your thoughts.

I must say that my observation as a layman on this subject really is that it's as if they introduced a bill, then decided to think about it, then decided to consult and then decided to have task forces and other such things—a very strange way of going about trying to change a law which they opposed in the first place and which is now perhaps even worse than the OMPP. Do you have any thoughts on that?

Mr Rempel: I really don't. My thoughts are on what's on the table here.

Mr Tilson: I realize that was probably a political question, but that's the nature of the beast. The question I found most interesting was the innocent accident victim, the head injury person, who may or may not be capable of dealing with insurance companies. It seems to me with the increased benefit proposals there are going to be more negotiations going on with insurance companies. Of course, the aim of this government was, "We're having too much going on in the courts and—"

Mr Charles Harnick (Willowdale): Get rid of the lawyers.

Mr Tilson: "Get rid of the lawyers," Mr Harnick says, and that's quite right. That's what their philosophy has been. It's as if we're getting rid of one advocacy and replacing it with another advocacy.

Mr Rempel: Our concern on that is that as the innocent victims and the persons who paid out the bucks for the auto insurance policy, we need to ensure that we have an advocate with the skill and knowledge equal to the skill and knowledge on the other side. The other side unfortunately happens to be the insurance company. They should be on our side, but they aren't. That's not been our experience.

Mr Tilson: Let me tell you what the parliamentary assistant has told these proceedings. The parliamentary assistant has suggested that there's going to be perhaps an expansion of the advocacy legislation and that those types

of individuals will be representing the very people that you are concerned about.

Mr Owens: That's not what I said.

Mr Rempel: He says that isn't what he said, but if that's true, then those people need to be the same people that the insurance company employs.

Mr Mancini: Don't be intimidated by the parliamentary assistant.

Mr Tilson: Ignore him. He doesn't know what he's talking about half the time. He just babbles on.

Mr Rempel: Mr Chairman, this is a good point. The point that we're trying to raise is that if 24-year-old advocates are hired at \$40,000 a year, that's fine, but then the Royal Insurance Co is compelled to hire that same person. If you guys start bringing in \$300,000-a-year lawyers, then the insurance company can as well.

Mr Tilson: How much time do we have, Mr Chairman?

The Acting Chair: You've got less than 30 seconds.

Mr Tilson: Mr Harnick has a quick question.

Mr Harnick: The government, I think, is going to try to implement some kind of an advocacy scheme, much like we have at workers' compensation, where an injured worker is given a worker's advocate. At workers' comp, they're not going in against the lawyer from Royal Insurance, the lawyer from State Farm or Allstate. I know you used to work in the insurance industry. I know what you had to do to look after Jeremy. What would have happened if you had been given a worker-adviser to look after your case? Where would Jeremy be today?

Mr Rempel: Our family would probably be on welfare, because we were financially broke by the time we got to court. It was a private loan by a family member that saved us.

Mr Harnick: Thank you.

Mr David Winninger (London South): You're actually one of many presentations on behalf of the Ontario Head Injury Association which we've heard over the last few days in various parts of the province, and there seems to be kind of a pattern emerging.

First of all, the head injuries association seems pleased that we've lowered the threshold for pain and suffering. I know the head injuries association actually agrees that there should be a threshold; others don't.

Your association also seems pleased that we've increased the provision for lost earnings during disability following an accident, with indexation, with extending the definition of injury to include mental and psychological injuries as well, and lifting the lifetime cap for rehab.

The points that seem to be controversial are removing the \$3,000 monthly cap for rehabilitation, allowing suits for economic loss. When we've spoken to some of the insurance representatives they have said, "Of course, we can fashion a Cadillac plan for you, but it's going to mean that your premiums will skyrocket." So as you know, government walks a fine line between ensuring affordability of auto insurance premiums and at the same time expanding access to improved benefits. So it's obviously a balancing act.

I would point out to you, however, and you're probably aware of this, that our Bill 101 on long-term care certainly has some impact on the kind of care that someone who is disabled, for whatever reason, would receive.

Mr Rempel: For a brain injury it's minimal.

Mr Winninger: That's certainly open to debate, but certainly that's an initiative, as well as our employment equity initiatives to reintegrate disabled people into the workforce, the Ontario Training and Adjustment Board—

Mr Rempel: Those are all good things. I don't dispute that.

Mr Winninger: They're designed to ensure that people have the options they're seeking and a normal life, which are two goals that disabled people—

Mr Rempel: If I can respond to that just briefly, they're better than nothing, but as I was stating earlier, the problem that you've got is these things are available when money is available and they're available when you have a case manager who understands you and so on and when you have the freedom of choice. If my neighbour's kid who just graduated from Brock University had had to find money and consult with an MSW over at the Ministry of Community and Social Services every time he made a change in his curriculum, he wouldn't be graduating for another six or seven years.

So it's better than nothing, and I don't belittle that. It's an important part of our social fabric, but to take away things that help you normalize and get on with life as quickly as possible, you really need to be careful before you take those things away from an innocent victim who paid for insurance in the first place.

Mr Winninger: One of the problems that I personally have is that the tort system was not perfect. Many people acknowledge that.

Mr Rempel: I would.

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Mr Winninger: Your recovery was often delayed, and we've heard about patients languishing with inappropriate long-term care and rehabilitation as they await their court awards. We've heard about cases where people recovered nothing because the party wasn't found at fault, and I know myself people have come to me, members of families where someone's been rendered quadriplegic, but it was a single-car accident where the car went off the road. I'm just wondering what your association would offer for those people who don't have a tortfeasor who can be found at fault.

Mr Rempel: We say quite clearly that when a person is victimized, expectations, I think traditionally and we would hope in the future, would remain different for a person who's been victimized than for a person who is at fault. If that person who is at fault decides beforehand to purchase the copious amounts of insurance to take care of his carelessness, that's another issue, but for those of us who spend the money to purchase what we trust will be insurance that will help alleviate the economic loss and the pain and suffering and so on—you know what I'm saying? That's a different kettle of fish.

Mr Winner: But not everyone gets struck by a drunk driver.

The Acting Chair: Thank you very much. Mrs Caplan.

Mr Harnick: I hope the parliamentary assistant heard it, but he's so busy talking to the government flack.

Mr Winner: Is that a new—

The Acting Chair: Mr Mancini, Mrs Caplan, Mr Phillips.

Mr Owens: On a point of order, Mr Chair.

The Acting Chair: Mr Mancini, go ahead.

Mr Owens: On a point of order, Mr Chair.

The Acting Chair: Mr Mancini, proceed.

Mr Owens: A point of order, Mr Chair.

The Acting Chair: On a point of order.

Mr Owens: Thank you, Chair. If Mr Harnick is including his colleague Mr Tilson as a government flack, I would—

The Acting Chair: It's not a point of order, Mr Owens. I would remind all members of the committee that people from the public in Ontario have made an effort to come to these hearings to try and get their views expressed. I would ask, without singling out any committee member, that all committee members give them the respect they deserve. This is a very important issue, and there is no point having bantering and back and forth, arguments between committee members. Quite frankly, the members of the public can watch that on television during legislative debates. This is our one opportunity to hear from the public, and I would request sincerely that all members respect that. Mr Mancini, your questions.

Mr Harnick: Point of order.

The Acting Chair: On a point of order.

Mr Harnick: Does that mean the parliamentary assistant should be paying attention to what the witnesses are saying?

The Acting Chair: It's not a point of order. Mr Mancini.

Mr Owens: Mr Harnick should stop making speeches—

Mr Harnick: You can't muzzle Kormos; you won't be able to muzzle me.

Mr Mancini: Ray, it's nice to see you again. It was a pleasure working with you in the past, and it's good to see that your association is still endeavouring to do the many important things that people with head injuries need to have done in this province.

You've not had the privilege, if I can call it that, of attending the committee prior to today and travelling with us across the province, but I should tell you that during these hearings, every time there was a group, individual or organization that came before us that had questions for the government that it was unable to answer or hadn't clearly thought out, the government members threw out the line that this task force has been created and it's going to resolve all these problems. Well, so much has been swept under the rug for this task force to do that I think it's going to be the longest-standing, longest-serving task force in the

history of our province by the time it gets to answer all of the questions individual witnesses have in fact asked.

You have been the only one, to my recollection, who has stated to the government members to scrap the task force. Given that so many individuals and groups have been promised some type of standing with this task force—and that's not to say whether I'm in favour or against it—and given that so many unanswered questions still remain and so much work needs to be done, do you still think it would be in the best interests of all concerned for the government to scrap the task force?

Mr Rempel: Definitely, as it comes to health care regulations, for sure, because I very respectfully believe that that's got to occur within the venue of the Ministry of Health. It has to. As to the others, I would only have a plea to the government that you're doing something that is really going to have long-term effects, hopefully very positive effects, on the people of Ontario, and that you take your time and that it gets done correctly. If that means scrapping the task force and going back to the drawing board, I think that should happen.

Mr Mancini: You said earlier on that you would be quite annoyed if the new system pitted young, inexperienced advocates against highly qualified professionals who were paid the resources necessary to obtain even further expertise. I agree with you, and I have said since the opening day of these committee hearings—I don't know, have you had a chance to see these 68 pages of regulations, Ray?

Mr Rempel: Yes.

Mr Mancini: What do you think of them?

Mr Rempel: I haven't memorized them all. I'm sorry.

Mr Mancini: What do you think of these 68 pages of regulations? Think back on the difficulties you faced a few years ago and think back whether or not you as an individual, or friends or acquaintances etc, would be able to ensure that their rights—

Mr Rempel: That's why we make the statement, and we tried to make it as strongly as we could, that you have to have equal representation on both sides of the issue. Frankly, if I'm the injured party, I want Bert Raphael on my side; I don't want a 30-year-old, \$45,000-a-year person, because Bert Raphael knows how to get things done and I respect him immensely, but I ain't going to get him for \$40,000 a year.

The Acting Chair: Thank you very much, sir.

Mr Mancini: I didn't finish my five minutes, Mr Chair.

The Acting Chair: Yes, you did, Mr Mancini. In fact, you're over five minutes.

Thank you very much for your presentation. We'd like to thank the Ontario Head Injury Association for coming forward and you, sir, for very effectively presenting their views. We trust you'll stay in touch with the committee as this legislation progresses through the process. Thank you very much.

The Ontario Risk and Insurance Management Society, if they're here, come forward and take a spot by the microphones, please.

Mr Tilson: Mr Chairman, could I speak on a point of order? We're sitting in this room, it appears, today for these hearings. I'm a little concerned that room 151, which is vacant and which I recall, in the subcommittee meetings at least—I know you weren't privy to that—it was agreed—

The Acting Chair: Mr Tilson, that's not a point of order. We have witnesses who have made a point to visit this committee room on a schedule and the minute we have not got witnesses to appear before this committee is when we will discuss other matters. Thank you, Mr Tilson.

The next witness is the Ontario Risk and Insurance Management Society. If you would identify yourself, please—

Mr Tilson: You didn't even give me the courtesy of listening to my point of order. You haven't even listened to it.

The Acting Chair: —and proceed with your presentation. Thank you very much.

Mr Mancini: Mr Chairman, you're treading on very thin ice.

Mr Tilson: You're absolutely out of order, Mr Chairman. You won't even hear my point of order.

The Acting Chair: Go ahead; proceed.

Ms Susan Meltzer: Good morning, Mr Chairman and members of the committee—

Mr Mancini: If you guys think you can get away with that, you've got another think coming. You're treading on very thin ice.

Mr Tilson: This is outrageous.

The Acting Chair: Proceed. I am sorry you have to be privy to this. I know how important it is to you. If you would just proceed.

Mr Mancini: I'm sorry she can't be on television so tens of thousands of Ontarians could hear her.

The Acting Chair: Proceed, please.

Mr Tilson: You people just don't want anyone to hear her.

The Acting Chair: Proceed with your presentation, if you wouldn't mind.

Mr Tilson: You're putting it in the back room of the House.

Mr Mancini: Shame on all of you.

The Acting Chair: Could you just proceed? Thank you very much.

ONTARIO RISK AND INSURANCE MANAGEMENT SOCIETY

Ms Meltzer: Good morning. My name is Susan Meltzer and I'm an associate director of risk and insurance for Bell Canada. Today I'm representing the Ontario Risk and Insurance Management Society, as a member of which I've been involved in monitoring the issues regarding automobile insurance since 1986.

Our organization has approximately 186 corporate members who are interested in developments that can affect our costs of risk of an insurable nature or substantially assist us in maintaining adequate insurance protection. We are major purchasers of automobile insurance in Ontario and our membership can affect the insurance marketplace where other purchasers may not. We have a collective knowledge regarding insurance products and we believe our statements are representative of the interests of virtually all automobile insurance purchasers.

On behalf of our members, we continue to review insurance industry practices and we share our views with the insurance industry in the hope of making changes that are beneficial to the consumer of the insurance product. In addition, many of our members operate large fleets of commercial vehicles and, as such, are vitally interested in reformation of the compensation system that could increase cost-effectiveness of our corporations. We also consider ourselves to be good corporate citizens and we support an automobile insurance plan that provides adequate, fair and quick compensation to those involved in automobile accidents.

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Risk management as a discipline advocates that the most effective way to manage risk is through loss control and preventive measures. In keeping with this, ORIMS believes that a sound program that emphasizes road safety and ultimately the reduction of frequency and severity of losses is of utmost importance. Many of our corporate members have instituted successful driver training and safety programs, and we would be happy to consult in the future with the government in its deliberations on this issue.

We also share society's abhorrence of the behaviour of drivers who abuse the privileges of the road and drive while under the influence of drugs and alcohol. We commend the government for continuing to provide additional deterrents by exempting these individuals from some of the coverage available under the new automobile insurance product. Losses that cannot be prevented but are minimized by risk control for us are then financed; hence our interest in the issue of changing the current compensation system.

ORIMS has been supportive of the OMPP throughout the debates on automobile insurance. They've carefully reviewed the material which was distributed by the government and recognize that you have decided upon a new objective. In addition, however, we believe that Bill 164 will increase the costs of providing for accident victims, which will impact the insurance industry and ultimately the consumer.

We don't wish to spend your time reiterating why we believe the government should maintain the status quo. Rather, having reviewed the objectives, we would like to offer a number of suggestions that could partially meet your objectives by minimizing some of the costs under your current proposal.

We have serious concerns about the government's plans to provide for unlimited rehabilitation, medical and long-term care benefits. Although we wholeheartedly agree with the necessity to restore an accident victim back

to his original position, we feel that unlimited benefits which are not subject to periodic formal assessment could provide a system which would be fraught with abuse.

It is imperative to limit potential abuses of the system in order to keep down losses and premiums, and we see two areas where the system is vulnerable. Both the OMPP and Bill 164 provide an opportunity for accident victims to fraudulently collect benefits. Although the insurers are currently monitoring the validity of the claims, there appears to be a reluctance on their part to be aggressive in the denial of benefits for fear of criticism under the current regulations. It is important to the overall cost of the system that only those accident victims who truly require such benefits are compensated.

We suggest that there be a formal mechanism whereby an insurer can request an impartial review of particular cases to ensure the validity of those claims. Under Bill 164, the provision for unlimited rehabilitation, medical and long-term care benefits is a prime opportunity for those accident victims who choose to work the system. There needs to be a formal adjudication, based on the amount of money expended as well as the length of the rehabilitation, to ensure that unnecessary benefits are not paid.

We therefore suggest that the bill be amended so that unlimited rehabilitation, medical and long-term care benefits are available only after an objective review. Justifiable costs should be paid until such time as \$500,000 has been expended or two years has passed since the accident, whichever comes first. At that time, the legislation should provide for an independent assessment to determine whether or not benefits should be continued. This assessment could be based on the extent of the injuries and the commitment of the victim to his or her rehabilitation.

With respect to income replacement benefits, we agree with the increase in maximum benefits and the use of an inflation index for the future. The provision for all economic loss within a schedule of accident benefits will provide for fair compensation to accident victims as well as an increased ability to project accident costs.

In some instances, however, insurers are charging premiums for accident benefits to drivers who are adequately covered through their employers' health programs. We recommend that the system be amended so that those drivers can opt out of coverage for accident benefits for themselves, their spouses and their resident dependants. In other words, the automobile insurance policy would provide no coverage to that insured and his or her family. Premiums currently being paid by insureds for the excess coverage in the system would be waived. This model is currently in use in the Michigan no-fault system and is successful in reducing costs to individual drivers whose employers have substantial corporate accident benefit programs.

With respect to access to the courts, the government has stated that it is its goal to expand the right to seek retribution for wrongdoing by allowing accident victims to receive recognition for their special losses. I quote from the government's January pamphlet, where it said, "Expanded access to tort for non-economic losses, or 'pain and suffering,' will be available to seriously injured accident victims who can prove in a court of law that another person is at

least partially at fault." That is supposed to be attained by the imposition of the \$15,000 deductible.

We have two issues with this change.

It is the stated objective of the government to increase the number of accident victims who can access the court for non-economic loss. At the risk of saying what everybody else has said before you in the past weeks, it must be understood that this cannot be done without cost. The results of actuarial reports commissioned both by the government and the industry are based only on future projections and assumptions and cannot be relied upon as firm predictions of the future.

We were not able to commission our own reports, but we have reviewed the reports commissioned by the government and the Insurance Bureau of Canada, and it only appears obvious to us that increasing the number of lawsuits and the amounts of the settlements will certainly increase the cost of providing compensation and, ultimately, the cost of insurance.

Secondly, we do not agree with the concept of the use of a deductible to ensure that only seriously injured persons are allowed access to the courts. In its own analysis, the government states that one of the problems with the tort system is that "the skill of the advocate affects the extent to which the injured party is awarded tort compensation." We believe that the skills of plaintiff's advocates will circumvent the imposition of the deductible by increasing the damages being claimed to ensure that the ultimate award is well in excess of the applicable deductible.

If the stated objective is to ensure that seriously injured victims are allowed access, we then reiterate our recommendation to Mr Justice Osborne that a verbal threshold be instituted to determine those victims who are allowed access to the courts for non-economic damages.

Our recommendation is that, with respect to tort exemption for non-economic loss, recourse to the courts be restricted to claims involving death, permanent impairment of a body function or permanent significant disfigurement. Access to the courts should be restricted to those who cannot be rehabilitated.

You will note on the bottom of page 6 we have provided a definition of permanent impairment of body function and permanent significant disfigurement. We do believe that this approach meets your objectives in the reform of the automobile insurance system without allowing for abuses from victims who have marginal injuries but can afford to hire skilful attorneys. While this approach will not necessarily increase access to the courts by as many accident victims as is contemplated by Bill 164, it will ensure that those victims who do access the court for non-economic loss are truly eligible to do so.

We emphasize that we recognize that Bill 164 is designed to provide additional benefits and payments to accident victims and will ultimately increase the cost of the insurance product. Our recommendations are designed to temper the ultimate cost to the commercial and personal consumer. Bill 164, amended as suggested herein, is acceptable if it is only a secondary goal of the reforms to ensure that all purchasers of insurance participate in the funding of the rehabilitation of accident victims. It will not

further the objective of decreasing the current levels of insurance premiums.

The Acting Chair (Mr Winner): Thank you. We have five minutes for each party. We'll start with Mr Owens.

Mr Owens: I'd like to thank you for your excellent presentation and your suggestions for amendment. My first question to you is with respect to the independent medical examination. Now, under section 47 of our regulation we've provided for a process by which an independent medical examination can be requested, and again if there's a dispute, there's a process that will occur. Does that address your concern that you've raised here today?

Ms Meltzer: Not exactly. We looked at the—

Mr Owens: How can we make it more comprehensive, in your view?

Ms Meltzer: Well, we looked at the provision. I believe the way I read it was the insurance company would look for an independent assessment. What we're looking for is that the independent assessment be automatic so that all cases are reviewed. It's not up to the insurance company to trigger that.

We're afraid that their fear of the regulations where they're supposed to be responding quickly, getting benefits out, is getting them to be paying benefits a little more easily than they might have and ultimately increasing the cost. Rather than leaving it up to the insurer to ask for the independent assessment, we're saying there should be an automatic way where all cases are reviewed, because we're concerned with the fraud issues.

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Mr Owens: I don't think anybody in this room on either side of the table or those present in the audience today would disagree that we're all concerned with people who are ripping off the system. It concerns me. Correct me if I'm wrong, but it appears that you're saying at this point there is a lot of fraud occurring. What is your experience with respect to that?

Ms Meltzer: We're seeing situations where, because of the necessity to rush through the payment process, because of the time insurers are supposed to be spending doing this—it's not a massive fraud that we've seen—the insurance company isn't questioning each claim as much as it might in order to meet the current regulations.

Mr Owens: So from a risk management perspective of the claims, although you deal with the front of the issue in terms of attempting to minimize the risk that would cause the company to have an accident experience to deal with—

Ms Meltzer: We also buy the insurance on behalf of the company.

Mr Owens: That's right. Exactly.

You indicated at the beginning of the presentation that you're representing ORIMS, but you also work in a position with Bell Canada, a large employer. I don't know if this is publicity, but in terms of the kinds of driver training that is provided by that company to employees who are involved on the roads, do you see that road safety, in terms

of managing the risk experience, is an important element with respect to minimizing claims experience, and do you support our process in Bill 39 with respect to the road safety agency?

Ms Meltzer: Yes, we do. Bell and other members of ORIMS have extensive driver training, defensive training programs and reward bonus scenarios for safe driving. We understand fully the impact of lessening losses.

Mr Phillips: I'm just going to serve notice to the Chair that I think we'll want an answer on why we're not in the Amethyst Room before we adjourn this morning.

My question is around the finances of this. As I look at it, the cost of this bill will be somewhere between \$200 million, which is what the government estimates, and the smallest estimate I've seen from the industry is \$400 million, which is going to be the increase in the premiums. As I say, the minimum is \$200 million and the lowest estimate I've seen from the industry is \$400 million.

For us in the opposition, it's an unusual look at the priorities. As you know, the government has said it can't understandably increase funding to hospitals or schools or anything like that because the taxpayers just don't have the money to fund it, but the people of Ontario do have \$400 million more they can pay each year to buy this package. That's essentially what we're looking at in my opinion, \$400 million to buy Bill 164. I will just serve notice to the government that every time somebody says you can't afford something, I'll say, "We spent \$400 million on this package."

Your organization represents employers who have an enormous number of employees, as I look at it. I realize you're suggesting improvements for Bill 164. What is your recommendation to us in terms of what costs you think are associated with this bill? I realize you said you haven't done a complete analysis of it, but what is your organization's judgement on the increased cost?

Ms Meltzer: When you're dealing with projecting figures the way Mercer and Wyatt did for the respective organizations that hired them, that is all based on the assumption that history's going to repeat itself. In order to go forward and say it's going to cost \$200 million or \$400 million, I think that's a relatively facetious thing to do. History tends to repeat itself in the statistics of losses. To be quite honest, I don't know. I do know that it will increase costs. I do know that with respect to our organizations, we would expect to be in court with accident victims more than we are now, but I don't have an estimation of the costs.

Mr Phillips: What would be your judgement? As I looked at your organization, I assumed that your organization was trying to look at various benefit packages and trying to estimate the costs of them. Your organization hasn't looked at the studies?

Ms Meltzer: We are coming to you with our experience in continuously dealing with claims and insurance companies. We're not statisticians or actuaries, so I don't have an estimate of the cost.

Mr Phillips: That's interesting to me. In terms of your organization's judgement—because I think my own judgement is that there are two choices here: We stay where we

are with the existing legislation, or the government chooses to proceed with Bill 164. I think every time rates go up, the people who will be phoned on those rate increases will be the NDP members, but none the less, what would be your recommendation to us, if those are the two choices, leave things as they are or proceed with Bill 164?

Ms Meltzer: We very clearly stated in our paper that we have supported the OMPP in the past and that we continue to support it. However, if there's going to be a change in the objective, we would like to make these recommendations, but we have supported OMPP in the past.

Mr Phillips: So your recommendation would be to stay essentially with the existing legislation and maybe make some modest changes. Do I have any additional time, Mr Chair?

The Acting Chair (Mr Bob Huget): You've got about one minute.

Mr Phillips: Again, I'm kind of interested in the climate out there, because we've had a lot of experts on the bill and what not, but you represent a large number of employers. How should we view the impact of what I regard as substantial rate increases on the companies that your organization represents? Is it something that we should be very worried about, or is this something that can be relatively easily managed?

Ms Meltzer: Obviously, all major corporations in the 1990s are making sure that they can reduce their costs to the extent possible, and an 8% increase in insurance premiums to a corporation is a large number. We're spending a lot of money on insurance, and I'm not saying it would threaten the viability of the corporations, but it would certainly add to the difficulty of being competitive in today's environment by increasing costs.

Mr Harnick: You state on page 4 in your brief that the provision for all economic loss within the schedule of accident benefits will provide for fair compensation to accident victims. Let me give you a little scenario. If a person aged 35, married with a spouse and two children and earning \$45,000 a year, is killed in a car accident, the Bill 164 generous provisions would pay that family the equivalent of about \$117,000 based on the dependency perceived by this government for the rest of that family's lifetime. Do you think that's fair?

Ms Meltzer: I think it's very difficult to blend tort and—

Mr Harnick: No, no, that's not what I asked you. Do you think that's fair? Is it fair if you were in that position and you were the surviving spouse that you were going to get \$117,000 to look after your two children, pay the mortgage, pay for the car, pay all of the household expenses, \$117,000, maybe three years of what that breadwinner was worth?

Ms Meltzer: We've reviewed the bill and think, on balance, that yes, this is the way to go.

Mr Harnick: So you think that's fair, okay.

Ms Meltzer: On balance.

Mr Harnick: Okay, as long as I know that's what your idea of fairness is. Thank you.

Mr Tilson: If I could continue on the topic of long-term care, there's been a great deal of concern from different types of groups on the whole subject of long-term care. Much of that concern is concerning the uncertainty of the regulations, what they mean, what the intent is. I don't know whether you've had a chance to look at them. They're very complicated; at least from my perspective they're very complicated. It's a very complicated document to interpret.

Having said that, if you look at the principle of emphasis on benefits, the principle of this government is that we're all the same, that we all have the same lifestyle, we all have the same home life. Having looked at that difference, is it possible to list all the expenses that one can receive for long-term care?

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Ms Meltzer: I think that would be very difficult to do. I think this is why we're looking at understanding what the government's trying to do in Bill 164 by making it unlimited to ensure that provision was there to pay for those benefits. However, one person's needs, as you point out, aren't another's, and this is why we think there needs to be a more formalized review of that process. That's all we're requesting.

Mr Tilson: I don't think it's possible to list all those expenses and I think the insurance companies will go crazy, because they simply won't be able to put forward figures that will be able to adequately pay for all of these types of expenses that may surface as time goes on. That's one of the advantages of the tort system, that you can look at each individual case.

I'm not saying return to the tort situation; I'm simply saying that the other extreme is to go into benefits, and I say it's impossible to list what your expenses might be or what my expenses might be on a general basis, or everybody's expenses in this room for example. We all have different needs, we all have different lifestyles, and probably under the benefits system, all of us—most of us—will not be satisfied. Is that a fair assumption?

Ms Meltzer: I would suggest that if the objective is to set out a no-fault system, whether it be OMPP or Bill 164, you're going to have some inequities when you're setting out an accident benefit system. However, on the overall ability to deliver income replacement benefits in particular in a quick manner to accident victims, the no-fault system is obviously the way to go. In my view, on the issue you're talking about, there's very little difference between the OMPP and Bill 164.

Mr Tilson: I don't think the insurance companies will be able to deliver all these things because I don't think it's possible to list all the possible expenses, and if they keep changing the regulations as time goes on and keep adding and adding and adding, the cost is going to be completely unbearable, which leads to my next question, and that is the one of disputes.

Under the tort system, two parties or their insurance companies go to court if they can't settle and they fight over things. Of course, that was one of the alleged reasons that the system collapsed, and we could debate that one for

and against for a long time, but it gets now to the system which seems to be developing under Bill 164, and that is again more emphasis on benefits.

For the insurance companies, it's going to be tighter and tighter and tighter for them to operate, for just some of the reasons I have listed even in my first question. Therefore, would you not think that the litigation or the disputes as to whether one qualifies for such-and-such benefits—maybe there's a dispute between the insurance company as to whether you're going to go in such-and-such direction of long-term care, and they'll be off to mediation and the insurance commission will expand. Do you feel that possibly the whole issue of the adversarial system will expand under the principles that are being set forth under Bill 164?

Ms Meltzer: It depends to what you're making your comparisons with. If you're making your comparisons to Bill 164 to tort, then there's certainly going to continue to be less activity in the courts than there was under the tort system. As we stated in our brief, if you compare Bill 164 to OMPP, yes, we agree that there will be more court activity.

Mr Tilson: I say this government is going to—

The Acting Chair: Thank you very much. I appreciate the presentation you've made this morning on behalf of the Ontario Risk and Insurance Management Society. You've certainly generated some important dialogue among the committee members, and I trust that you'll stay in touch with the committee as it continues on through the process, up to and including reintroduction into the House of Bill 164. Thank you very much for our presentation and thank you for providing your time this morning to the committee.

The Acting Chair: The next group is the Allstate Insurance Co of Canada. Good morning.

Mr Tilson: Mr Chairman, as we're waiting, my party also was concerned that somewhere prior to breaking for lunch we again return to the subject of why we're not in room 151.

Mr Owens: Why don't we turn to it right now?

The Acting Chair: We'll return to that subject when the business of the committee has been concluded, and that is the business of hearing witnesses.

Mr Tilson: We will conclude at the end of this day. I say, sir, that we should be doing that now.

The Acting Chair: We will finish—

Mr Tilson: There is no reason why room 151 cannot be used, because it's empty. You're trying to hide this subject.

The Acting Chair: We will finish the presentations this morning. People have made a very serious effort to get here and proceed on a schedule, and we will do so.

Mr Tilson: The room is empty now.

The Acting Chair: Proceed with your presentation. Thank you very much.

Mrs Elinor Caplan (Oriole): On a point of order, Mr Chairman: I believe it is a legitimate point of order for members of this committee to request that this committee

be held in the Amethyst Room so that the public interest can be served. That had been agreed to by the subcommittee. It is therefore a legitimate point of order to ask the Chair to review the subcommittee's recommendation and request that this meeting be moved to the Amethyst Room.

The Acting Chair: Thank you. We'll discuss that kind of business once this presentation is concluded. Would you proceed with your presentation.

ALLSTATE INSURANCE CO OF CANADA

Mr Terry Kelaher: Thank you for allowing us to present our views about the proposed legislation. Joining with me today are François Boulanger on my right, who is responsible for our casualty actuarial area, and on my left, Jim Bowles, who represents our claim delivery system.

I think I better take you through the pile of papers the clerk delivered to you just prior to our presentation. The notes in the black binder are the detailed brief we have prepared. I would suggest you may wish to go through that at your convenience. The other packet includes notes on my oral presentation, but more important, some exhibits I'm going to refer to as we move through some of these notes.

Our comments and recommendations to these hearings result from our company's extensive study of its provisions since its introduction, our active participation with the Insurance Bureau of Canada and various government agencies throughout the consultative process and Allstate's extensive experience with other insurance systems both in Canada and the United States over many years.

We rank among the top 10 Canadian automobile insurers, servicing almost one million policyholders across all provinces and territories.

Within our detailed written brief we cover four main areas that we have decided to comment on: Allstate's costs and profitability under the present Ontario auto system; Allstate's assessment of the government's study of the costs of Bill 164 and our ability to absorb them; Allstate's assessment of the claim delivery process currently in place; and the serious claims handling problems introduced by the implementation of Bill 164 as we see them at Allstate.

As I mentioned, we've also provided you with a separate kit containing five exhibits, along with the notes I'll be referring to this morning.

In the interest of time, my oral presentation will concentrate on the area of costs, profitability and our ability to absorb the additional costs of Bill 164 with minimal change to our existing premium levels; in other words, the whole issue of affordability.

As a general statement, we support those enhancements to the Ontario automobile insurance system that will provide improved levels of compensation to all motorists and injured victims while not imposing significant and/or unaffordable premium increases or overcomplicating the delivery system for consumers.

We developed a very healthy respect for our customers' ability to understand and accept premium increases during the mid-1980s. We discovered in spades that the level of price increases from year to year and

absolute premium levels are the two hottest buttons to fool around with. Consumers want stable auto insurance premiums, and any time you want to increase prices beyond the perceived acceptable level, you had better be prepared to explain yourself and your actions in great detail. Even then, don't expect much acceptance or understanding.

We learned this lesson during the period of time illustrated in exhibit 1. Referring to this exhibit, you can appreciate why Ontario drivers were so angry during the mid to late 1980s, anger which led to the arbitrary rate freeze in 1987 and the resulting market withdrawal and Facility Association overpopulation. This was caused by the uncontrollable and very unstable costs of the tort system which Bill 164 proposes to reintroduce.

You will also note that due to conditions which I will now start to describe, we are completing our application to the Ontario Insurance Commission for a rate increase of 8% in the first quarter of 1993.

Turning to exhibit 2, you can examine Allstate's actual average claims cost per vehicle during this same period. Placing exhibit 1 beside exhibit 2, you will notice that the rate increases or decreases tend to lag the experience by about a year. You can also see how the costs continued to build during the period of the rate freeze and why the Ontario Automobile Insurance Board concluded that prices would have had to increase by 30% had it not been for the introduction of the Ontario motorist protection plan in 1990.

Notice the significant reduction in average costs starting in 1990 and continuing through 1991. This was not entirely due to OMPP. It was also heavily influenced by the recession. During a recession people drive less, there are fewer cars on the road and there are therefore fewer and less severe accidents. You should also note that the reduction bottoms out in 1991 and we experienced a 6.3% increase in average cost per vehicle during 1992.

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This increase, combined with the reduction in our investment income resulting from lower interest rates, the cost of depopulating the Facility Association, the residual impact of the introduction of the 3% premium tax and the anticipated increase in accidents during the expected economic recovery is why we, like many in our industry, find it necessary to obtain approval to increase our rates.

This is extremely important, because all of the government's case around affordability is based on the assumption that the industry's currently reported profit levels are a reflection of its ability to absorb the additional costs of Bill 164 with very minor adjustment to our premium base.

As you can see in exhibit 3, this is just not the case for Allstate. The factors mentioned earlier will move our combined ratio, which is a combination of the loss ratio and our expenses, from the very profitable levels of 94.9% in 1991 and 99.5% in 1992 to the considerably less profitable levels of 108.8% in 1993 and 115.4% in 1994. A combined ratio of 104% would provide us with an acceptable return on equity in yesterday's investment environment. A ratio of 120% would put us in a total loss position like we were from 1985 through 1989.

This difference between our results and the government's expectations is not surprising, given that its actuarial study did not use the actual experience under OMPP but chose rather to use assumptions based on pre-OMPP experience and the experience of other jurisdictions like Quebec.

For example, turning to exhibit 4, Allstate's actual experience for the disability income coverage develops a significant difference in cost as compared to Mercer's estimates. Our cost is 84.1% higher or \$52.65 per vehicle.

One of the reasons for this difference is illustrated in exhibit 5. Mercer didn't have the actual disability experience available to it at the time it did its study. They chose to rely on the experience of the Quebec system and based their model on the pattern developed by the Régie de l'assurance automobile du Québec. As you can see, the number of claimants still disabled under OMPP after 27 months is roughly double that of the Quebec experience.

We have commented in our brief on a number of other assumptions used by Mercer with which we cannot agree.

We are absolutely convinced that the model on which the government has based its assumption that the industry can afford to absorb the additional cost of Bill 164 is totally inaccurate and does not come close to reflecting the costs of the current system, let alone the extra burden imposed by Bill 164.

The combined effect of our current premium deficiency of 8% and our conservative estimates of the additional costs of Bill 164 will result in premium increases of between 20% and 25% to our customers. Asking the drivers of Ontario to accept this is to invite both political and business repercussions, and who can blame them? Costly changes like those contemplated in Bill 164 just aren't warranted.

We've outlined in our brief the areas where we believe OMPP significantly improved the system of auto insurance and we've also pointed out where we believe there are major deficiencies. We have included recommendations to improve the existing system that are quite simple and easy to introduce.

We have also included our comments on the complexity of the proposed claims-handling procedures in Bill 164. The proposed procedures, when combined with the return to a tort environment, will return us to the old days of uncontrolled increases in cost and total customer dissatisfaction. We will be forced to return to the adversarial system where insurance companies are pitted against their customers and their lawyers.

In closing, I'd like to now cover briefly the summary and recommendations section of our detailed report.

First, Allstate supports enhancements to the current Ontario automobile insurance compensation system that would provide improved benefits for all accident victims while maintaining premium levels that are affordable and acceptable to Ontario consumers.

We believe the overall average required premium for Bill 164 of \$862 as stated by Mercer is significantly understated for five major reasons. We estimate that difference to be between \$80 and \$120 per vehicle or between 10% and 15% based on Allstate's required premium levels. This

translates into additional premium required from Allstate customers alone of between \$18 million and \$27 million.

Our experience and research clearly indicate that premium stability and the absolute level of premium are of prime importance to our customers. It seems unconscionable to force rate increases of the magnitude contemplated by Bill 164 when inflation is running as low as it is, record numbers of Ontarians are without work and disposable income is either static or declining because of wage freezes and tax increases.

Allstate does not believe it is in the best interests of the consumer to impose uniformity of class plans due to the extreme premium dislocation that would occur. Elimination of age, gender and marital factors can be achieved through individual company class plan management over an extended period of time.

We strongly advocate coordination of all available resources to champion the cause of road safety that will reduce road crashes and their related carnage and the physical damage, destruction and resulting costs to the health care, insurance and social systems. Graduated licensing is one of the answers contemplated. Who knows? With that in law, it might have prevented the tragic accident that occurred in Guelph this past weekend.

We are concerned that the complexities inherent in claim service delivery under OMPP have been significantly compounded by Bill 164, with potential consequences both for timely, accurate handling and for increased operating costs to meet those adjustments.

Allstate also believes that expansion of tort concepts provided under Bill 164 will introduce serious cost and claim delivery complexities.

Restoring non-economic general damages is retrograde and fundamentally wrong since it promotes prolonging treatment, disability periods etc, contrary to the current system that focuses on healing and reintegration of injured victims as expeditiously as possible.

The \$15,000 bodily injury deductible provision will create specific complexities of its own. It will recreate the adversarial claim environment, establish the overlap of three very distinct systems, and the \$15,000 deductible will soon become a floor figure for evaluating general damages.

For these reasons, Allstate clearly prefers to remain with a verbal type threshold such as currently exists under OMPP, with some framework enhancements where many agree they're required. If it is the will of this committee to proceed with some form of monetary deductible threshold, as proposed by Bill 164, we recommend as a minimum that serious consideration be given to providing some form of balance between a verbal threshold and a deductible, one that would serve to contain erosion and provide some degree of certainty and specificity.

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We further recommend the addition of a business protection endorsement to be made available as an optional substitute or as a supplement to close the existing gap in the weekly disability benefit for self-employed persons.

Allstate recommends provision in legislation or regulation for false-claim sanctions against individual claimants

and service providers, similar to those currently imposed against insurers.

We recommend a collaborative effort between government and industry to simplify documentation and processing for the betterment of consumers, health providers and insurers.

We recommend that government and the recently formed task force on rehabilitation and long-term care immediately investigate Michigan's current proposal for no-fault changes which will eliminate unlimited medical coverage because Michigan state drivers simply can no longer afford it, and we believe that legislation is going to be made effective May 1. The cost, by the way, for the unlimited medical coverage in Michigan is about \$65 per vehicle. This will be the last jurisdiction in the United States to finally recall terms of unlimited medical provisions.

New Jersey removed this from its legislation in 1991 and Pennsylvania in 1984, because the drivers of those states could no longer afford it.

Because the income replacement features of Bill 164 contain significant potential cost and complexity implications, as we've tried to describe, we recommend that government at the very least establish an income replacement task force similar to that of the recently formed rehabilitation and long-term care task force to undertake more extensive study of all elements of these provisions.

It is Allstate's conviction that the potential impacts of the changes proposed in Bill 164 are too costly and too complex and will prove to be unaffordable and unacceptable to the drivers of Ontario. We respectfully suggest that Bill 164 be abandoned.

Thank you for allowing us to meet with you and present our concerns. We'll be happy to answer any questions you might have.

Mr Mancini: Mr Kelaher, thank you for a very good brief. I've had a chance to look at the charts you have provided us with this morning. I had a chance briefly before you started to look at the more detailed summary you've also provided for us.

Basically, what you've said this morning is what a large number of other individuals, organizations and others have said before this committee, that this bill is very complex. I've been waving around these 68 pages for the better part of two weeks and I've asked many experienced people like yourself whether you believe this complexity is necessary. You've said in your brief it is not. Do you have any other advice for the government in regard to the complexity of these 68 pages which even experienced litigation lawyers, people in the insurance industry for decades, have said they cannot understand? Do you have any other advice for the government on these 68 pages?

Mr Kelaher: Mr Mancini, I'd like to ask our Mr Bowles to respond to that, since that's his area of expertise.

Mr James K. Bowles: The language of the legislation can be looked at. We still believe it's going to be awfully difficult for people who are not trained legal people to find their way through it. We believe the linkages between the various kinds of coverages are extremely difficult to try and follow. We would like to see that piece clarified as

well. I guess, thinking back to the experience of bringing in Bill 68—and that was enough of an experience, an extremely complex one—seeing where this one would take us in terms of the commitment to education and training and the importing of resources from outside, it's going to be a very long and involved process.

Mr Mancini: I've called it a consumer's nightmare. Might you agree with my terminology?

Mr Bowles: Oh, indeed, sir. It's also a professional's nightmare.

Mr Mancini: I have also made the case during the last two weeks of these hearings, and so have a vast number of other people, that this bill is going to be very difficult for senior citizens to swallow. We had a brief from the Ontario Coalition of Senior Citizens' Organizations, an organization that has 300,000 members, and it's quite upset that the government wants to eliminate the age factor in the setting of rates. If the government proceeds with that, do you have any idea how high senior citizens' insurance rates will go?

Mr Kelaher: We had some experience with Bill 2, which was introduced by the Liberal government, and the hearings that surrounded the suggested introduction of Bill 2. We had a particular interest in the provision as it dealt with the uniformity of classification, and of course the removal of age and sex as it affected seniors, because Allstate in Ontario and certainly across other provinces in Canada has, for lack of a better word, targeted that group as being one of its primary customers. We have a very large percentage of our existing customers in force coming from the senior population.

We did a dislocation study, which we introduced to the Ontario Automobile Insurance Board at the time, which indicated that the average dislocation, if I recall, François, might have been in the 45% to 50% range.

Mr François Boulanger: Yes, that's about it.

Mr Kelaher: It ranges upward, depending on where they were located and so on. It was a very serious impact.

Mr Phillips: I remember.

Mr Mancini: Yes, we remember. It's going to be interesting for government members to explain to senior citizens why they should be paying another 45% for their automobile insurance rates. I'm looking forward to how this explanation is going to be made.

I should also let you know that the opposition members have for some time given the government the green light to proceed on the road safety program. As you know, they've introduced the bill. It's sitting on a shelf somewhere in some minister's office. We don't know what ministers are responsible for what these days; they haven't quite sorted that out yet. It's sitting somewhere in some government department. I want the industry and the individuals who've been following these hearings to know that both opposition parties quite some time ago gave the government the green light to proceed with the Ontario road safety program, something which you mention in your brief, something which will in fact help control the cost of insurance rates.

Mr Harnick: Mr Kelaher, you talked about your objections to taking the cap off medical expenses, and you used Michigan and New Jersey by way of comparison, but you'd agree with me that neither Michigan nor New Jersey has any kind of plan remotely resembling OHIP.

Mr Kelaher: No, but the excess level that is contemplated, certainly in Michigan, is in excess of \$250,000 of medical costs. I think it's a fairly safe presumption that this would eat up the bulk of the base that OHIP might provide in a similar injury situation.

Mr Harnick: We know just from experience that there are not too many cases where a \$500,000 cap, or even if you capped it at \$1 million, is not suitable.

Mr Kelaher: I don't know, based on our claims experience. It's fairly new to us at this stage. Jim, after the period of time that OMPP has been in, what has been our experience?

Mr Bowles: We are starting to bump our heads on the upper levels of it, but in all honesty, we haven't seen where it has been a problem to provide adequate treatment for people over the long term.

Mr Boulanger: If I might add, based on the actuarial studies that have been prepared for the costing of Bill 164, all of the actuarial firms have provided estimates of between 200 and 350 claimants per year in Ontario. The lowest one, coming from Mercer, was at 150. So there is a fair number there.

Mr Harnick: I want to deal with your graph on page 9 of the black booklet. If we take a look at what you're projecting for 1994, for instance, you've got a combined loss ratio under the OMPP of 115.4. Just so I understand this, if we add the 8% that you're going to need anyway, and we add roughly another 20%, your loss ratio under Bill 164 comes to 143%. Am I right about that?

Mr Kelaher: I don't think so, but François may be able to take you through—

1200

Mr Harnick: Am I reading that correctly?

Mr Kelaher: No.

Mr Boulanger: The impact of the rate increase is not included in there.

Mr Harnick: That's right, so you've got to add those in.

Mr Boulanger: Well, if we were taking the rate reduction, the 115% would drop. But you were right in adding the impact of Bill 164 in there. So if we were to add 164 into, I guess, the year 1994, if you expect the impact to be, let's say 15%, we would be looking at something in the neighbourhood of 135%, which is bad enough.

Mr Harnick: You said it would be 20% to 25%, in your brief.

Mr Kelaher: That included the 8% deficiency that we currently have.

Mr Harnick: So you're upward of 135%. It strikes me that almost puts you into the range of when we had a pure tort system.

Mr Kelaher: It gets close.

Mr Harnick: That's even before you take into account tort reform, which would have probably brought the number down very close to what you're ultimately going to be, correct?

Mr Kelaher: Possibly so.

Mr Harnick: You recall what Justice Osborne said. He said originally that a threshold no-fault system in the long run isn't going to provide any savings to the insurance industry.

Mr Kelaher: I don't think that can be accurately described. I think the key thing is that we haven't been able to watch how the tort environment might have continued to roll out. We don't know that. We do know the current system over the last two and a half years. You have to remember that the 8% increase we will be filing for is the first increase in premiums that we've filed for since the implementation of OMPP, and during the last two and a half years we've in fact reduced the cost to the consumer by 8.5%. So I would say that pretty well equals it out. We reduced cost by 8.5% over two and a half years, and we're now asking for an 8% increase.

Mr Harnick: You see, it just strikes me that these—

The Acting Chair: Thank you very much. Proceed, Mr Klopp.

Mr Paul Klopp (Huron): Good morning.

Mr Kelaher: Good morning.

Mr Klopp: These numbers always intrigue me too. You mentioned on page 3 in your brief suggestions to improve the present system, and yet we talked a little bit earlier, just following up, that you need about 8% increase now under the system.

Mr Kelaher: Yes.

Mr Klopp: Yet on page 3 you talk about increasing benefits, which obviously are a little less, I think, than what we're talking about in our Bill 164, but are on the same lines. You must have an actuarial study to show that these don't cost anything, and yet we're talking about an 8% increase with no benefits, and if we follow through with ours, it's like 15% or 18%. Could you explain that to me better?

Mr Kelaher: Sure. The proposal we're making is that these changes we're suggesting are fairly simple. Our proposal is that in our particular case where we require an 8% premium increase this year, we don't believe that anything should be introduced to the consumer that costs anything more than that. However, if for example, some of the provisions of Bill 164 could reduce the costs of the existing system, they may offset some of these other provisions. You could take away from the existing system, if you felt it was important to have indexation, if you felt it was important to have other provisions that we are recommending.

Our strongest message to you is don't do anything that is going to add additional cost to the system at this point in time. Our consumers aren't going to put up with it, and they tend to come at us, and not at you, when we introduce premium increase, and therefore we're very concerned about it. There is not enough room in the system for extra

costs or extra benefits, regardless of how good they might be.

Mr Klopp: But without changing anything—just to be clear in my mind for when I get a phone call or not from my insurance agent—

Mr Tilson: You will.

Mr Klopp: —because I have insurance too.

Mr Tilson: Guaranteed you will.

Mr Klopp: You're asking for an 8% increase this year without any changes, without any increase in benefits or decrease in benefits?

Mr Kelaher: That is correct. We will be filing for an average 8% increase this year, that's correct.

Mr Klopp: Will people not phone your office and complain?

Mr Kelaher: Absolutely, and we will be writing to each of our customers in an attempt to explain why we are doing it, but we will continue to get phone calls; of course we will.

Mr Klopp: But yet on page 3, your recommendations—I don't want to belabour this—I'm just trying to get it clear in my mind—if in a magical world you could put this in place, you wouldn't need any more rate increases?

Mr Kelaher: No. What I'm suggesting to you is that some of those recommendations would cost additional money, and I'm suggesting, don't put them into place while we require an 8% rate increase even to get even. If at some future point in time the level of rate increase required by us or the members of the insurance industry is considerably less than that, that's the time to start considering increasing benefits and certainly those that involve increased costs.

The Acting Chair: Thank you very much. I'd like to thank the Allstate Insurance Co for its presentation and each of you for expressing views on its behalf. Thank you very much for the time you've contributed to this committee.

DAVID COREY

The Acting Chair: The next presenter is Dr David Corey. Welcome. You have 20 minutes for your presentation. If you could leave some of that for questions and answers, the committee would appreciate it. You can go ahead, Dr Corey.

Dr David Corey: My background is in psychology and rehabilitation and I manage a number of clinics in Ontario that treat people who have chronic pain problems and soft tissue injury, emotional trauma and mild head injuries. I'm also on the accident benefits advisory committee to the Ontario Insurance Commission and I've recently been appointed to the task force on rehabilitation and long-term care. That's just to give you some sense of where I'm coming from.

I want to speak to you today exclusively on the issue of how I see Bill 164 impacting upon rehabilitation and the ability of injured automobile accident victims to recover in Ontario. I've had opportunities over the last 15 years of working with both the tort system pre-OMPP and with today's OMPP system, as well as working with Workers'

Compensation Board cases and so on, so I have a sense of comparison.

Our experience has been that since the introduction of OMPP, rehabilitation and recovery have greatly improved. Approximately 50% of our clients prior to OMPP were successful in our programs and now it's about 75%. We attribute the difference to the absence of the adversarial process that is inherent in the tort system; it can introduce a lot of emotional complications and mixed motivation and even systemic delays.

This experience has been repeated in other jurisdictions in Canada, such as British Columbia where a tort system continues. In fact, one study that was recently published found that chronic pain was significantly more prevalent in those patients litigating in British Columbia.

What we have experienced is that, with OMPP, clients receive faster access to treatment, which was one of the goals of the policy, and more cooperation from their insurers and less interference from outside sources. I believe that if Bill 164 is passed, the reintroduction of a partial tort system will mean that more injured automobile victims will be going to lawyers and getting embroiled in the legal system. That, in my opinion, will serve to produce delayed and insufficient recovery in many of these individuals and consequently, I believe, produce higher claims costs, both for the rehab care and the claims themselves, and I believe will also produce higher premiums.

In my opinion then, Bill 164 is a step backwards. We should be looking instead at either modifying the present threshold—it has some problems—or even perhaps moving towards a pure no-fault system as alternatives.

Just as a wrapup, I also feel that some of the changes to the statutory accident benefits schedule are improvements. Others need to be thought through more carefully, but I believe that a lot of changes can be made to the current OMPP system to maximize recovery and reduce costs and not result in high increases in premiums, which I suspect would be involved with Bill 164.

1210

The Acting Chair: Thank you very much. Questions? Mr Tilson.

Mr Tilson: Can you just clarify what your connection with the Ontario Insurance Commission is?

Dr Corey: There's an advisory committee called the accident benefits advisory committee, made up of individuals from rehabilitation, insurance, consumers association groups, advocacy groups, and it advises the insurance commission on issues related to accident benefits.

Mr Tilson: There's a fear that has been expressed throughout these proceedings that there will be an increased use of the commission, that there will be more matters brought to the commission, disputes with the insurance companies; the consumer feels that he is entitled to such and such benefits and the insurance company says no. Has the insurance commission privately or publicly dealt with that subject?

Dr Corey: There have been no studies or projections done, if that's what you mean. I believe they also feel that there will be increased usage of the insurance commission.

Mr Tilson: I guess that's what I'm getting at, that when you put a bill forward such as this—it's going to be a major change. The insurance companies tell us the rates are going to go—well, the last delegation said 25%, including the 8% increase that they're currently applying for. So there are going to be increased costs. I guess what I'm getting to is, has the insurance commission in any way advised the government as to how its role is going to change?

Dr Corey: I'm not privy enough to the workings of the insurance commission to answer that question.

Mr Tilson: Are you prepared to recommend to the commission that perhaps it put forward a recommendation to the government that this legislation be delayed until the commission has had an opportunity to forecast what this is going to cost the commission, what it's going to cost the taxpayer, what it's going to require for additional staff, what it's going to require for additional services that the insurance commission will be obliged to render as a result of increased activity with the insurance commission?

Dr Corey: I certainly believe the forecast is in order.

Mr Tilson: Would you be prepared to recommend to the commission that it make that formal request to the government?

Dr Corey: Yes, I would.

Mr Tilson: Yes. Can you, in your own experience with the insurance commission, give any of your own personal thoughts as to the increased activity of the insurance commission as a result of Bill 164?

Dr Corey: I haven't had enough day-to-day contact with the insurance commission to be able to answer that. I know that their rate of mediations and arbitrations is climbing, probably as the people of this province become more aware of its existence, and the climb, at this point, hasn't tapered off, so I don't know where all that will end.

Mr Tilson: One of the concerns that has been brought forward, particularly of people with long-term care, is that contrary to some of the remarks you have said, the legal profession will play a less active role in the whole process because of the increased emphasis on benefits and that the innocent accident victim will be left with either no representation or inadequate representation. Have you any thoughts on that fear that has been expressed?

Dr Corey: What I can tell you is that when OMPP came in, it quickly became known that if you had an accident, there was no point in going to a lawyer unless you were catastrophically injured. There's been a significant dropoff in the people we see coming to our clinic who have legal representation. In some instances, they probably could use some legal help, because they're into battles with their insurance carriers and they could use some assistance, and we always recommend to them that they get some legal help.

I believe with Bill 164, everyone who has an injury in an automobile accident will go to a lawyer. Of course, everyone will then have some legal representation. Whether it's inadequate or not, I can't speak to, but I believe that will inherently bring the adversarial process back

into the recovery process, and the two are mutually incompatible. I think that's going to be a major drawback to Bill 164.

Mr Owens: I'm a little bit confused about whom you're representing here today. Are you representing the insurance commission today?

Dr Corey: No, I am not. I'm simply representing myself and my organization.

Mr Owens: I appreciate that. In terms of your experience, according to your one-pager you've been involved in the treatment and rehabilitation of accident victims since 1978, which would give you a good depth of experience to draw from. You mention a correlation—I guess I'm putting your second and third bullet points together—that early rehabilitation and your success rates have a direct link. I'm wondering if you've conducted an empirical study that you could share with us in terms of the number of patients you've looked at, the types of injuries that have been involved and the treatments.

Mr Tilson: Haven't you done this sort of study? Hasn't the government done this sort of study?

Mr Owens: My question is to the presenter, not to the third party.

Mr Tilson: I'm shocked that you're saying to us that you haven't done this sort of study yourself.

The Acting Chair: Mr Tilson, could you please control yourself to allow for logical questioning of witnesses. Thank you very much.

Mr Mancini: Very logical, yes, Mr Chair.

The Acting Chair: Mr Owens, proceed.

Mr Owens: I'll wait for Dr Corey to answer my question.

Dr Corey: You're asking if we've done an empirical study?

Mr Owens: That's right, from your clinic's perspective.

Dr Corey: No. We have the data available. We are currently engaged in other studies at this point and we intend to do that study once we get the current studies out of the way.

Mr Owens: So it's your view that our Bill 164, which in fact does offer rapid and immediate access to rehabilitation, is a good thing and will heighten the level of return to productive life of accident victims.

Dr Corey: No. My view is the opposite of that. My view is that Bill 164 reintroduces the tort system to pretty well everybody who has an injury and that will impede recovery and rehabilitation.

Mr Owens: Then the provision of immediate and indexed benefits in your view is not a good thing to do.

Dr Corey: We have immediate benefits today.

Mr Owens: In terms of indexation, do we have indexation today?

Dr Corey: No, but from an immediate point of view, that's hardly a problem.

Mr Owens: Do you think under OMPP, looking at a tort system that allows people to play in a wild west scenario in terms of the—

Dr Corey: I'm sorry, in terms of what?

Mr Owens: In terms of the court process, where some people won big settlements but other people didn't. For instance, if a person skids on black ice and ends up in your clinic, there's no one there to sue. How do you see that as being a benefit to accident victims in terms of your representation that Bill 164—

Dr Corey: I'm not suggesting a return to a tort system.

1220

Mr Owens: In terms then of the coverage of psychological injury under our legislation, do you view that as a good and progressive step?

Dr Corey: The single biggest objection I have to the current threshold is that I believe it discriminates against those with psychological, emotional injuries that are both serious and permanent. My recommendation, from a purely rehabilitation point of view, would be to fix the threshold or, if that isn't feasible, move to a pure no-fault system. I don't think that tort, in my experience, is a good way of helping people recover what they lost when they have an injury.

The goal of rehabilitation is to return people back as much as is feasible to the place they were prior to that injury. That's also the purpose of tort, but tort does it through money and does it in an adversarial, oppositional process. Rehabilitation does it through a health care, human welfare process and I believe the two do not work together very well. That's my experience.

Mr Mancini: Dr Corey, you've done a good job this morning explaining some of the problems being created by Bill 164. Some of the things you've mentioned to the committee this morning have in fact been mentioned over the last couple of weeks of our public hearings. The problem is that these people won't listen and when they're given evidence, they don't believe it. You've stated very clearly in your presentation that the Ontario motorist protection plan has in fact worked and worked well.

You were challenged on that assumption by the parliamentary assistant who asked you whether you had done an empirical study, whatever that means. Mr Tilson properly asked the parliamentary assistant where the government study was. Where was its study? I guess evidently they've done no study. The entire process of Bill 164 has nothing to do with facts, studies or whether or not OMPP is working. It's just nothing short of a political process—

Mr Tilson: It's the wild, wild west.

Mr Mancini: It's wild, wild west game right here.

I want to ask whether you have had contact with other similar professionals and organizations like the health recovery group and whether they've informed you that the success rates in their clinics and in their private practices have in fact mirrored your success rates?

Dr Corey: Yes, in fact we have an association, and our president will be presenting to the committee this afternoon and will expand upon that issue, I believe.

Mr Mancini: So the truth of the matter is, if the government wanted to know whether OMPP was working, as far as giving people immediate benefits, immediate opportunities for rehabilitation, all they had to do was to contact people like yourself. Evidently you're well known. You helped the Ontario Insurance Commission. They found you in order to seek your advice as to how the commission works. All they had to do was to have one of their many people in different departments give you a call to find out what was going on. It would have been that simple. Is that not correct?

Dr Corey: I assume so.

Mr Mancini: There was also a question in regard to the workings of the insurance commission and how this bill would impact the insurance commission. I believe the reason the question was answered—and you should know this so that possibly when you attend further meetings, you might have this as a part of your discussion—it's been mentioned that the insurance commission has asked the minister for 100 more staff people and \$5 million or \$6 million more to work around and with Bill 164.

It's going to be a busy place down there and they may even have to take over the boardroom for lack of space. I was wondering if you would agree with me that it is not a very good expenditure of funds. The government's broke, it's quite evident. Do you think we should be changing the system so we can add 100 civil servants and another \$600 million of overhead at the Ontario Insurance Commission? Do you think that's money well spent, Dr Corey?

Dr Corey: As I've said, I think the present system has many positive features and anything that increases costs without increasing benefits I think is a mistake. When I say "without increasing benefits" it doesn't really improve the system substantially.

Mr Mancini: Do I have some time left?

The Acting Chair: You certainly do. You've got a minute and a half, Mr Mancini.

Mr Mancini: I don't have any further questions. Thank you, Dr Corey. It was a good brief.

The Acting Chair: Thank you very much for your presentation, Dr Corey. We appreciate the time you took to come forward this morning before the committee and express your views. Thank you very much.

Mr Tilson: Are you ready now? Can we talk about room 151? On a point of order, Mr Chairman.

The Acting Chair: On your point.

Mr Tilson: Mr Chairman, I'm a member of the subcommittee, as are Mr Mancini and Mr Owens. All three of us were present with the Chairman of this committee, Mr Hansen, and the clerk, and my recollection of a meeting we held several weeks ago is that the proceedings today would be conducted in room 151. My question to you and/or the clerk is why we're here as opposed to that room.

The Acting Chair: Mr Mancini, is your point on the same issue?

Mr Mancini: Yes. My point of order is the same as Mr Tilson's point. We were promised room 151 whenever it was available. The room has been empty all morning.

We've had expert witnesses from the insurance industry, from the rehabilitation field, from the Ontario Head Injury Association. We've had opportunities to help educate the public. We know tens of thousands of people watch those proceedings, and I'm very annoyed that we're not in room 151 this morning. Mr Tilson made a good point this morning. His point was in order earlier on, and we should have moved at that time from this room to room 151.

Mr Klopp: Anything to waste time.

Mr Tilson: We're not wasting time at all. We want to be heard.

Mr Mancini: It's not a waste of time. You're just trying to put a blanket on everything. That's your problem. You just want to cover it all up.

Mr Tilson: Mr Chairman, notwithstanding you're now going around the room, my question is to you or the clerk or whoever convened the meeting in this room as to why we're not in room 151 as agreed.

Mr Mancini: Who broke the agreement? That's what we want to know.

Mr Owens: There was no agreement, for God's sake. Just like everything else.

The Acting Chair: If the committee members will come to order, I think we may be able to work through this in some sensible fashion. If you do not wish to come to order, we can just sit here and listen to the bantering for hours, if you like. I think there was an agreement made.

Mr Mancini: Get off your high horse, Mr Chairman.

The Acting Chair: I will refer to the clerk, who will give us an indication of what that agreement was regarding the subcommittee meetings in terms of hearing locations.

Clerk Pro Tem (Mr Franco Carrozza): I have before me the notes I took during the meeting. If it's okay, with your agreement, Mr Tilson and Mr Mancini, I will read the notes as they were taken.

The subcommittee met on January 26. That was a Tuesday. Present were Mr Owens, Mr Mancini, Mr Tilson and Mr Hansen. There were six discussions and six agreements:

(1) The subcommittee agreed to schedule Mr Swart at 2:30 pm on Wednesday, January 27; (2) agreed to move to room 151—there was a vote, two to one in favour—Wednesday, January 27 and 28; (3) agreed to move two scheduling problems, for Chedoke-McMaster and the firefighters, to February 9; (4) agreed to replace the cancelled Tuesday to Wednesday, February 9. There were two re-scheduling difficulties, which were the Ontario risk association and the Canadian association of rehabilitation centres, which were rescheduled for 11 and 4 respectively; (5) agreed to inform Mr Peter Kormos of the acceptance of the agreement to move into room 151; (6) agreed to insert cancellation, Windsor and District Labour Council, for 11:30 am February 2 in Windsor.

Those are the six items that were discussed and I took notes on.

Mr Tilson: Mr Chairman, I'm not going to challenge the clerk. I will say that there's no question from my perspective as a member of that committee that if that room was

available, we would be meeting in that room. It was felt in fact that because of the interest in this committee, the workings of this committee, the topic of this committee, specifically auto insurance, it was most important that the television facilities be used.

I'm not going to get into the fact as to what the clerk says is one thing and what the rest of the subcommittee members say is another. Mr Mancini may have some thoughts on that. My question is, we are now at roughly 12:30 and there's no reason why we can't meet in room 151. I would assume the rest of the committee would have no objection to that.

Mr Mancini: Let's be very clear: There were a lot of decisions made by the subcommittee that are not part of that six-point list. The clerk's six-point list is accurate as far as it goes. We were called on the telephone frequently, both myself and Mr Tilson, at all hours of the day and night, during weekends and other times, to make decisions which are not part of the six-point list. We had numerous ancillary discussions in regard to room 151.

It had been our position from day one that this committee deserved and needed to be in room 151 for the entire proceedings. We missed our first day for some reasons that I don't want to have to repeat at this time. We got day two and day three in there—I guess it was a Wednesday and a Thursday—and it was common knowledge within the subcommittee that if room 151 was available, we would be there.

It does not serve the public interest at all to have this committee here in room 1 when the government has spent

millions of dollars equipping room 151 with public television so that the public of this province can watch the proceedings of the Legislature and its committees.

I'd like to support the proposition made by Mr Tilson that we move this afternoon's hearings to room 151 because it's available and because the proceedings before this committee are of urgent public importance.

The Acting Chair: Thank you very much, gentlemen. I listened very carefully to what you've had to say and the facts are, as I know them to be, that the movement of this committee into room 151 on Wednesday 27 January and Thursday 28 January was agreed to. There were also some agreements around replacement of cancelled groups and there was also an agreement to meet Tuesday 9 February to make up for the lost day due to the passing of Ms Ward.

Committee room 1 is the normal room for this committee, and the notice of room location went out last Thursday.

Mr Tilson: Mr Chairman, you're not a judge. You're a Chairman of this committee. You can't unilaterally make decisions like that.

The Acting Chair: There were no objections raised when the notice of committee location went out last Thursday.

Mr Tilson: You are out of order.

The Acting Chair: Therefore I am bound to abide by what the subcommittee agreed to. We are in recess until 2 pm.

The committee recessed at 1232.

AFTERNOON SITTING

The committee resumed at 1402.

The Chair (Mr Ron Hansen): It being 2 o'clock, the standing committee on finance and economic affairs continues with Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters.

The first group forward is the Canadian Bar Association. I'd like to welcome you to the standing committee on finance and economics. Would you please identify yourselves for the purposes of Hansard.

Mr Tilson: On a point of order, Mr Chairman.

The Chair: Yes.

Mr Tilson: During the lunch break I received a notice from the Legislative Assembly committees branch indicating that this meeting this afternoon would be conducted in room 151. Since that notice did come and has been sent out to various individuals, I'm wondering if, before we proceed, perhaps we should adjourn to that committee room.

Mr Mancini: We tried to have this discussion this morning, but the Chair at the time did not follow the standing orders, refused to allow members to properly participate as the standing orders allow, took great authority on himself that he did not have and thoroughly contravened innumerable points in the standing orders.

I was shown this today by Mr Tilson. It's the point that we tried to make all morning over the unfair objections of the Chair, and it states very clearly where we are to be. Frankly, Mr Chairman, we are getting fed up with the government trying to hide these hearings. You know yourself all of the difficulties we had in getting two lousy days in room 151 for a piece of legislation that is going to in fact change the way insurance affects millions of Ontario drivers and consumers.

Mr Tilson and I tried to get this committee transferred to room 151. We went through some elaborate procedure that the Chair thought we should go through to come to a point he wanted us to get to, which meant we couldn't go to room 151. We have a document here that says, "Sent by the Legislative Assembly committees branch," which indicates that we should be in room 151. Why are we not there? The room is available. We're not asking anyone to leave.

The Chair: I think it's very important that the people of Ontario witness the presenters that come forward before this committee. I say we recess to room 151.

The committee recessed at 1405 and resumed at 1417 in room 151.

The Chair: I've got before me, and I'll give it to the clerk—it was unknown to me that we would be in room 151 at 2 pm. I'd like to file that. It comes from the clerk's office. Mr Franco, can you—

Clerk Pro Tem: It's Carrozza, Mr Chairman.

Mr Owens: On a point of order, Mr Chairman.

The Chair: Yes.

Mr Owens: I think we should apologize to the witnesses as well.

The Chair: Can you explain that coming out from your branch?

Clerk Pro Tem: No, I cannot. I have no idea why this went out to the members. It was not on my instruction. I will find out for the members.

The Chair: Okay. Thank you.

CANADIAN BAR ASSOCIATION—ONTARIO

The Chair: The first group coming forward is the Canadian Bar Association. If you wouldn't mind identifying yourselves for the purposes of Hansard. We have one half-hour; we have until 10 minutes to 3.

Ms Erica James: Thank you. My name is Erica James. I'm president of the Canadian Bar Association—Ontario, and I have with me Ian Kirby, who is chair of our no-fault insurance committee, and Tim Bates, who is the former chair of that committee and a member of our executive.

We're making this submission on behalf of the Canadian Bar Association and thank you for the opportunity that you've made available to us. For nearly 80 years the Canadian Bar Association has been the voice of the legal profession in Canada, and the Ontario branch represents about 16,000 members—lawyers, judges and law students from around the province.

The objectives of the Canadian Bar Association include the promotion of improvements in the law, legal research, law reform and improvement of public and social policy. In pursuance of these objectives, our association examines the current issues, including proposed legislation and its effect on legal systems and the public. Our association achieves its goals through the extraordinary and very generous input of the volunteer efforts of our members, and we take pride in the representative input, the thoughtful analysis and the internal challenges that are given to every submission that we put forward.

I'm going to turn it over to Tim Bates to introduce our submission.

Mr Tim Bates: I thank you for the opportunity for the Canadian Bar Association—Ontario to address a committee of this Legislature to once again join the public debate on auto insurance reform.

We've been involved with this issue dating back to the days of the Slater task force and I can tell you, Mr Chairman, members, that we at the CBAO have always attempted to be constructive and a resource to members of the Legislature of any political party on this issue and we're here today in that spirit: to be constructive and to provide assistance.

You have our brief, I gather. It had been distributed earlier. By way of introduction to the brief, let me just make three points. The OMPP legislation, in our view, is inequitable and inappropriate legislation for the people of this province. Our views on that legislation are well known through our submissions earlier, as recounted in the brief and our appearances before a legislative committee earlier.

To the extent that Bill 164 attempts to remedy the inequities of the OMPP, we welcome some of those changes; in particular, the partial restoration of the right to bring action in the courts for compensation as a result of a motor vehicle accident. We also welcome the enrichment of accident benefits.

But Bill 164, notwithstanding the improvements which we appreciate, has significant shortcomings, and they are the monetary level of the deductible and, most importantly, the lack of provision for indemnity on recovery of economic loss in excess of no-fault benefits.

I ask my colleague Ian Kirby, who is the present chair of this committee and who's had extensive dealings with this legislation, to elaborate on these issues and provide the committee with our suggestions for improvement of Bill 164 in the interests of the people of this province.

Mr Ian Kirby: Because of the constraints of time, ladies and gentlemen, I really do want to only focus on what we perceive are the two major shortcomings of Bill 164. The first, as Tim has mentioned, is the level of the deductible, which Bill 164 proposes at \$15,000.

In our written submission, which you have before you, we have attempted to point out a number of examples from real cases of what amount of damages our courts award for pain and suffering in this province. There is a popular misconception that we live in something akin to L.A. Law land where our courts award hundreds of thousands of dollars for whiplash injuries and things of that type. Nothing could be further from the truth.

If you look at some of those practical examples—and I'd like to deal specifically just with one. It's an example which appears on page 4 of our submission. It's a case involving a Mr Meyer. That name may be familiar to you. Mr Meyer and his wife were the first plaintiffs who had a decision under the OMPP legislation. It came down last year.

Mr Meyer was at the time a 68-year-old man who sustained a fracture of his kneecap and was required to undergo three operations under general anaesthetic. It was decided by the court that he would be faced with permanent disability and permanent difficulties with his leg because of that injury. In that case, the court decided this man's pain and suffering was worth \$20,000.

Now, under Bill 164, Mr Meyer would receive \$20,000 and would have deducted from that \$15,000, theoretically leaving him with a net judgement of only \$5,000. But would he actually recover anything?

You may or may not be aware that when individuals are involved in accidents it is not set in stone from the outset the amount of money that they will receive for pain and suffering. They go to see a lawyer or they act on their own and an opinion is usually given to them based upon expertise about what an injury is worth. The best the lawyer can do—because it is not a fine science; it is an art, of a sort—is give a range. In this particular case, I suspect a lawyer would have said the kind of injury Mr Meyer had would fall somewhere in the range between \$15,000 and \$25,000.

Upon being given that advice and being told that whatever Mr Meyer did recover would be subject to a \$15,000

deductible, Mr Meyer would quickly come to understand that he could have a very valid case but because of the \$15,000 deductible which you propose, he could wind up with nothing or next to nothing, and in all probability he wouldn't bother to make the claim, which is not to suggest for a moment that he does not have a perfectly legitimate and very serious injury, but it is one which, under the legislation as it currently stands, would not be brought forward.

The other thing to remember about the legislation as it currently stands is that the deductible of \$15,000 which you propose to enact is to be applied after apportionment of liability. Now for those of you who have never been involved in a civil lawsuit, and hopefully that is most of you, essentially in a civil lawsuit there are two issues, and I describe them as the who-done-it issue and the how-much.

Let's use another example from here. We have a situation—example 4 on page 5 of the submission—Mr Smith, who sustained in that particular case a very serious and permanent injury, and in that situation the court awarded \$35,000. That's the how-much issue.

But let's say that case also involved Mr Smith driving down a road and he's involved in an accident with another motorist, a very common situation where both motorists attempt to change lanes into the same lane at the same time and the sides of their vehicles come into impact. It would not be an uncommon result there for a court to say that in that case each motorist was 50% responsible. In that situation, Mr Smith would receive his \$35,000, less 50% apportionment in responsibility—the who-done-it issue—leaving him with \$17,500. But under your proposal of legislation, from his net of \$17,500 you would deduct a further \$15,000, leaving him with only \$2,500 on an injury claim which the courts recognize was worth \$35,000.

All that we ask you to do, ladies and gentlemen, before you set your minds on \$15,000, is decide: Is it really this kind of injury which you wanted to exclude when you came up with the figure? It's our submission to you that if you do feel that there's a compelling economic need to impose a deductible on innocent accident victims, it ought to be as low as possible, and we are suggesting that it ought to be \$7,500.

The second shortcoming is the elimination of the right to claim for full economic loss or, to use plain and simple language, people's wages. You're taking away the right of innocent accident victims to claim their full wages.

Again, in our written submission we have attempted to set out for you examples of those who would suffer the most under what you have proposed. Interestingly enough, it is not the rich and the advantaged in this province who will suffer the most; it is those who are economically most vulnerable. It is children, students, the elderly, women and men who have left the workforce to raise children, the unemployed—and there are lots of those in this province at this time—and, perhaps most of all, dependants of people who are killed in car accidents.

What you have proposed essentially means that in a situation where you have a single breadwinner in a family, if that breadwinner is killed, what you are telling the surviving spouse is that she or he, inside of roughly two and a

half or three years, must either go out and get a job that pays the same as the dead spouse or find another breadwinner. Is that really what you intended by this legislation?

What you have also done is supplant existing rights for those most grievously injured, because for all of its failings, OMPP does at least take care of those most catastrophically injured. You have changed that and replaced it with a set of no-fault benefits but excluded the right of individuals to claim more where their particular circumstances dictate, and you have attempted to do that by a no-fault schedule.

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By definition, the single greatest flaw of any no-fault schedule—it is not the fault of your particular scheme; it is the fault of every no-fault scheme—is that economic claims are limited to a no-fault schedule and by definition cannot adjust to individual circumstances. They can't take account of people's ability to rise above existing economic circumstances, which your legislation will not permit.

It will say that anybody who is involved in an accident must necessarily be confined to whatever level of economic circumstances they found themselves in when the accident took place. In other words, if you happened to be unemployed for a lengthy period of time when you were involved in an accident, the legislation deems that you would always be thus. If you happened to be a student, you are forced to live as a student would have lived for the rest of your life.

It is because of this that we say to you that if you are intent on limiting the right of individuals to the no-fault benefits on a mandatory basis, at the very least you must compel insurers to provide as optional coverage the right of individuals to make a claim against their own insurers on a tort basis, to purchase additional coverage where their particular circumstances dictate. We say tort coverage, because for all of its failings, tort at the very least allows people's individual economic circumstances to be taken into account. No-fault benefits cannot do that.

Finally, I'd like to deal with what I believe is a very popular misconception, that is, that lawyers are necessarily evil creatures and ought to be kept out of the system at all costs. Indeed, I now understand there is a desire or a move afoot to replace lawyers in the system on behalf of insured individuals and victims of accidents with a system of an advisory office akin to the one that currently exists in the workers' compensation system.

Aside from the fact that by all accounts the advisory system in the workers' compensation system does not work, what you are saying is that there is no way you can preclude insurance companies from continuing to employ lawyers to act on their behalf in representing their interests—there's no reason you should do that—but accident victims will not be allowed access to lawyers of their own choosing and must necessarily employ essentially a public defender system, operated, I expect, by lay individuals.

Whatever bad things we may think or say about lawyers, why do people employ lawyers in the first place? They employ lawyers because, for whatever reason, they don't think they are able to deal with a situation on their own. They require some expert advice. When they go to meet with or deal with an insurance company and its sophisticated

claims individuals, they require someone representing their interests, an opportunity to deal with that insurer on an even playing field. You cannot take away that right, ladies and gentlemen.

The Chair: Mr Mancini, five minutes.

Mr Mancini: While not in complete agreement with your brief, I am none the less impressed with your brief, and I want to make the point early on that there is a legitimate place for citizens of this province to seek legal advice and retain the services of solicitors. I think you are more harsh on yourself than possibly others are.

Mr Kirby: Force of habit, sir.

Mr Mancini: Possibly. Would you agree with me that Bill 164, which exchanges the right to sue for economic loss that is enshrined in the current legislation for the right to sue for pain and suffering with the \$15,000 deductible, is not a good tradeoff for Ontario's driving public?

Mr Kirby: I wouldn't agree with your premise that OMPP, the existing legislation, protects everyone's right to economic loss recovery. So I can't agree with your principle and accordingly I can't answer the question as you posed it.

Mr Mancini: How could I pose it for you to be able to answer it then?

Mr Kirby: I think if you posed the question, do I agree with any scheme of accident compensation where full economic loss is not allowed for, I would have to say no. I oppose OMPP because it has that shortcoming and I oppose Bill 164 because as it currently exists it has that shortcoming. I believe it can be corrected to provide for that. At least in part, one of the ways to do that is at the very least to allow for an amendment to subsection 224(6) of the Insurance Act, RSO 1990.

Mr Mancini: Thank you. I appreciate your giving me that information.

Do you believe in any type of no-fault insurance or would you favour strictly a tort system, something like the one that existed prior to the Ontario motorist protection plan?

Mr Kirby: The Canadian Bar Association has long been on record as supporting a hybrid tort/no-fault system. We have been on record for as long as the issue has been around as having said the old no-fault portion of the policy had inadequacies, as did the old tort system, and we have long advocated amendments to both. We have never been married to strict tort—

Mr Mancini: So you're on record then as saying that something had to be changed in regard to the way the insurance system worked prior to the implementation of the Ontario motorist protection plan. What was in fact happening prior to that was not, in your view, the best system we could have; let me put it that way.

Mr Kirby: I think you will find if you check the records that we were one of the major authors of what has become known as the tort reform package, yes.

Mr Mancini: And in that tort reform package, is there any room there for a blended tort/no-fault system?

Mr Kirby: Yes.

Mr Mancini: Fine. Since you're unhappy with the Ontario motorist protection plan—and there have been numerous witnesses, I should let you know, who have come before the committee who've suggested to the government not to throw out the Ontario motorist protection plan but to try to amend it to see if it can be made to work better, if that's the government's wish. I don't think they've been listening, but I want to know specifically from you, if you were to make two or three substantial amendments to the Ontario motorist protection plan, having in regard what those amendments would do to automobile insurance rates which consumers would have to buy and pay for, what might they be?

Mr Kirby: I would alter the threshold definition as contained in what used to be section 231, and I don't know the section number under the revised regs, to modify it. I would also restore the right to claim on a tort basis, at the very least. Bearing in mind that I agree with you that affordability is one of the criteria, I would restore the right to claim for full economic loss on a tort basis for all individuals under OMPP.

Mr Mancini: Do you have any idea what those reforms might cost, since these hearings have in fact dwelt a great deal on cost, because we've come to find out through the many submissions that we've received that automobile insurance rates may go up \$200 per household. Senior citizens may face insurance rate increases of up to 45%. Working women, who traditionally, because of some inequities in our society, have earned less than men, may have their automobile insurance rates go up also.

The Chair: About 30 seconds left, Mr Mancini.

Mr Mancini: Thank you, Mr Chair. Do you think there's a limit there? Everybody wants the best benefits they can buy of course, but they have to be able to afford it. Do you think there's a limit to the amount of changes that can be made to the OMPP and have that balanced off by affordable rate hikes if in fact that is the case, if in fact any rate hikes are affordable?

Mr Kirby: I say two things, sir. One is perhaps calling upon old history, but when your party formed the government, we asked the then government to advise us what it would cost to make certain amendments to OMPP and it was never forthcoming with the answer.

In terms of \$200 or whatever the figure may be, it is my suggestion to you, sir, that so many people are excluded from any real benefit under OMPP that to say it would cost \$200 more so that most people could make a claim, I suppose that's the point. Are you prepared to live with paying \$600 a year and getting virtually nothing in return, or do you want to pay \$800 and get some real insurance coverage?

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Mr Tilson: I appreciate and agree with all of your comments with respect to economic loss and how the future loss of earnings simply won't be there to the self-employed, the man or woman who's gone away to raise a family, the highly qualified person who is trained but is

in between jobs, infants, children, students and so on. There's a long list of individuals who simply—

Mr Harnick: Fatals.

Mr Tilson: Mr Harnick has indicated fatals, and it goes on and on.

You're right. That's one of the major issues of this legislation. I'm quite clear as to where I stand, and certainly the Progressive Conservative Party is quite clear as to where it stands on the issue of economic loss. There's one area that I'd like you to comment on, and that is your comments with respect to the whole principle of the deductible.

The deductible, whether it's \$15,000 or \$7,500, is a penalty. It's a penalty to the Meyers. It's a penalty to people like the Meyers. So whether you've got \$7,500 or whether you've got \$15,000, it's a penalty. To be quite frank, it's not just the Canadian Bar Association; the Advocates' Society and other legal groups, you're all united on the theory that the deductible should be reduced to \$7,500. I think the deductible principle should be canned, because I think it's unfair to the innocent accident victim.

Mr Kirby: I agree with you and I say this, to get it back to a point that Mr Mancini made. With the last government in power we suggested a package of tort reform which we said, on the financial information that we had and that others had, in and of itself, if it had been put in on a timely basis, would have generated the kind of savings in automobile insurance that consumers sought and rightly deserved.

What happened was that the tort reform package was put in, but it was put in at the same time as OMPP, the drastic taking away of rights of innocent accident victims. We never got a chance to see what effect the tort reform package would have had on keeping down the rates of auto insurance without the need for any deductible. I think that's still a viable option. So I don't disagree with you.

Mr Tilson: I would hope that you, as a lawyer, would be simply opposed to the deductible principle, that your comments—and maybe that's what I'm asking for, some clarification—that if you've got to live with Bill 164, you would prefer that the deductible be reduced from \$15,000 to \$7,500, as opposed to saying it's fairer at \$7,500, because it's a penalty, no matter how you look at it.

Mr Kirby: I see that, but I go on to say—and I don't know whether I'm speaking just on personal belief or on behalf of the Canadian Bar Association—that there are really two big-ticket items as part of this insurance package: on the one hand, pain and suffering, and on the other hand, people's wages. Of paramount importance are people's wages. That is not a luxury item. You ought to pay people's wages, first and foremost.

Mr Tilson: I'd like to ask you a general question. I gather you're all—

The Chair: One minute.

Mr Tilson: One minute, thank you. I gather you're all motor vehicles. No? At least, hopefully, one of you is.

My question has to do with the quantum of damages for the subject of pain and suffering. Again, I'm getting to

the issue of the deductible, as to whether you qualify for the deductible. In your experience, do you find that courts award a different quantum of damages for pain and suffering in, say, Toronto as opposed to Sudbury or Ottawa or other parts of this province?

Mr Kirby: There tend to be minor differences across the province. They are not all that major, but what the tort system does is it takes account of individuals. It says that, for instance, if I break my right hand, that's not nearly as important as if it happened to be the right hand of Oscar Peterson. He needs his hand to do his job. It's a vital part of his job. As long as I don't break my jaw, I can still do my job.

The Chair: I'm sorry. I'm going to go on to Mr Winninger.

Mr Winninger: I certainly won't cast any aspersions on lawyers, especially from where I'm sitting as a politician.

Mr Mike Cooper (Kitchener-Wilmot): Why not?

Mr Winninger: I've heard many of the arguments before, but I must commend you on your measured and reasonable approach today. I guess I have to ask you, since there's no magic, I think, in how premiums are calculated, if indeed your argument were entertained that we reduce the deductible to \$7,500—and I note that in the past you were content with \$10,000 and other people have asked for no deductible at all, like Mr Tilson—what would you give up? We heard this morning from Allstate, I believe it was, that no matter what we do, it's applying for an 8% increase in premiums. Would you lower the weekly loss of earnings? Would you eliminate indexation? Would you put caps back on rehab? Would you cut back the definition of "injury" to physical as opposed to mental and psychological? Where would you cut back? People seem to like these benefits.

Mr Kirby: Assuming it can be demonstrated that there is a need to cut back, and I'm not so sure that is so, I think you have to ask yourself the question, is there any need to provide, on a no-fault basis, loss-of-income benefits above and beyond the average industrial wage in this province?

It's one thing to say all accident victims, regardless of tort determination or fault, should be entitled to a reasonable level of compensation during periods of disability, but why is it necessarily so that this level of compensation should be something above the average industrial wage? Why do you want to say that you should raise that to cover off, I think it's 94% or 95% of individuals' taxable income in the province on a no-fault basis? Why do you want to do that on the backs of innocent accident victims?

Mr Winninger: This is an argument that's been made, although we do have some knowledge that the tort system has its imperfections. Teno and Arnold is a case I've thrown out several times, where the four-and-a-half-year-old child, aside from all the future care and pain and suffering, was awarded \$6,000 a year, which translates into 1992 dollars at \$13,000 a year. Our plan would pay her more—and we're in the area of economic loss—than she got in the adjudication. In another case, the accident victim got nothing because the driver of the car pleaded insanity and didn't have the mental appreciation of a duty of care. It's

not as though the tort system is the great saviour of the so-called innocent accident victim.

Mr Kirby: I'm the first to agree with you that there are a few examples. I don't agree with you on your interpretation of Teno and Arnold, but I'll leave that aside. I'm the first to agree that there were some problems with the tort system. We attempted to address those as part of the tort reform package. But I don't say that because there were those odd little cases that you attempt to ferret out and find as being wrong with the tort system, that is necessary justification for a system such as this, which deprives all individuals of full economic loss.

Mr Winninger: No, but there are many people in single-car accidents. It's hard to determine why a car went off the road. It could be mechanical failure, black ice or momentary inattention, so it's not a clearly at-fault driver. What do we do with these people? Do we turn our backs on them?

Mr Kirby: I'm not saying you should, but why in those rare instances should you provide a situation where they're going to recover on a no-fault basis more than the average industrial wage, and in exchange for that say to a greater number of individuals, "You can't recover your full economic loss or all of your pain and suffering even though you're an innocent accident victim, because we have to make sure that we protect those rare cases"? I just don't think that's a fair exchange.

Mr Winninger: I think I understand your argument. I want to use my remaining one minute to canvass something new touched on that we heard in other areas as well, that the coverage for excess economic loss should be something that's available to those people who wouldn't be fully compensated under the loss-of-earnings guidelines.

Mr Kirby: And who want to buy the coverage, yes.

Mr Winninger: I understand from the insurance industry representatives who were here that if there's a market for this, they'd certainly be happy to service the market. You say it should be mandatory. Why does it need to be mandatory?

Mr Kirby: No, it should be optional coverage but it should be made mandatory that the insurers make it available for purchase. It's quite simple to do. All you need to do are two things. If you look at subsections 224(6) and 224(7) of the Insurance Act, it currently reads, "An insurer, with the approval of the commissioner may offer optional benefits." You change "may" to "shall." In subsection (7) it says, "Optional benefits offered under subsection (6) shall be deemed to be no-fault benefits." You change that to "on a tort basis." The reason you make it tort is because tort can address individual financial circumstances in a way that no-fault benefit schedules cannot. That's not your government's fault. That's just the product of the way no-fault schedules work.

Secondly, by making it on a tort basis you make it more affordable. It means that innocent accident victims can purchase relatively inexpensive coverage, which is what this is all about.

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Mr Winninger: Well, we can talk about that for endless time.

The Chair: I'm sorry; time has run out. I'd like to thank you for appearing before this committee.

Mr Winninger: Will you allow me to continue?

Mr Harnick: Why don't you just do it.

Mr Winninger: Are you allowing me to continue?

The Chair: No, I'm not. I'm sorry, but the time has run out. I'd like to thank you for appearing before this committee.

Ms James: Thank you.

MICHAEL TREBILCOCK

The Chair: We have Professor Michael Trebilcock. I'd like to welcome you before the standing committee on finance and economic affairs. We have one half-hour. We have until 3:20, and in that period of time please leave some time at the end for the members of the committee to ask questions on your presentation. You may begin.

Dr Michael Trebilcock: Thank you very much, and thank you to the committee members for inviting me here today. I come here in my personal capacity as a professor of law and economics at the University of Toronto. I should add that ministry officials encouraged me to come, but I did so explicitly on the basis that I would offer my own assessment of the government's proposals.

My credentials in this area are as a coauthor of a recent book on regulating traffic safety; as a coauthor of a major study for the Alberta government on alternative order of compensation schemes; finally, as a coauthor of a major two-volume, two-year study on the efficacy of the tort system for the American Law Institute in Philadelphia, as part of its tort reform project.

The summary of my evidence that I have submitted to the committee is a verbatim reproduction of the conclusions to that two-volume study, and is not tailored to the exigencies of the present policy debate here in Ontario. We call that study, *Exploring the Domain of Tort Law: Taking the Facts Seriously*.

I've been concerned, as a participant in one capacity or another in these debates in this province over the last number of years over no-fault issues, that many of the debates reflect ideology, myth, fallacy or self-interest. There are some facts that frankly are now established beyond the range of contention, and these must inform any responsible resolution of these policy issues. This is not to say that in the end subjective value judgements can be avoided.

Let me move to Bill 164 itself. I believe the government is to be complimented generally for a number of the features of the reform proposals; specifically, the increase in the cap on income replacement benefits from some \$600-odd a week to \$1,000. Secondly, the indexing of economic benefits is absolutely crucial, and that is an immensely compelling feature of the bill. Thirdly, the more generous treatment of non-income earners, in particular, students and care givers is a strength of the bill, as is more generous treatment of the self-employed and more generous treatment

of supplementary medical and rehabilitation costs, death benefits and funeral benefits.

In short, the bill compared to the existing regime provides more generous treatment of all forms of pecuniary costs, in particular—I realize there are two aspects of these no-fault benefits that have provoked controversy. I think it is key that the bill provide a generous and indeed unlimited, but nevertheless verified, rehabilitation cost and that it provide generously for a long-term permanent disability, total or partial.

In a recent Rand study in the US, a massive empirical study of thousands of people injured in various settings, the major compensation gaps were found to be with respect to rehabilitation costs and loss of income associated with long-term disabilities, where only 20% of earnings were covered by any compensation system: tort, private or social insurance. So it's clear that the major compensation gaps relate to rehabilitation costs and income losses from long-term total and partial disabilities, and in this respect I think the reform proposals squarely address these deficiencies.

Having said that, let me move on to some reservations I have. Obviously, generous treatment of any kind of loss comes at a cost. I've listened to the CBA presentation and some of the interchanges with committee members. The tradeoffs here are quite simply stated, although not simply resolved. We can provide generous but limited no-fault benefits to all or most victims of auto accidents; that is, provide very broad victim coverage. Most victims are reasonably well compensated, although not fully compensated, so there's a tradeoff there. We're covering more victims, but not covering all of them as generously as the tort system presently covers a subset of them.

My own analysis of the data suggests that what this bill will do—this is confirmed by the Mercer study—is increase victim coverage from about 64% of traffic accident victims to 98%. That is a very substantial increase in the breadth of coverage. It comes at a cost, of course. Some subset of those would previously have had tort claims and would have recovered more. They will now be limited in various respects to the albeit generous but limited no-fault benefits. That is one tradeoff. There's no way of avoiding it.

The other tradeoff is between levels of benefits, breadth of victim coverage and premium costs. There is no free lunch in this game. I've heard arguments over the years that the ideal system would be a mixed system of generous no-fault benefits and the right to sue in every case. Of course, in a world where nobody had to pay the costs, that would obviously be the ideal system.

Mrs Caplan: That was Bob Rae's world in opposition.

The Chair: I'm sorry. Mr Winninger has the floor.

Dr Trebilcock: I'm not taking a partisan position on this. I'm simply saying that if one simply looks at the benefit side of the ledger, the most generous package is one that provides generous no-fault benefits to everybody injured in an accident and permits those who can identify a negligent driver to sue in tort law in every case. But empirical evidence again is absolutely crystal clear on this. Premiums would go through the roof, so there's no point—unless one

believes the cost of insurance doesn't matter to Ontario citizens—in arguing for a gold-plated system that provides generous no-fault benefits and a right to sue in every case. It doesn't add up.

Tradeoffs have to be made: breadth of coverage, level of benefits, premium costs. I don't have any magic solution that tells you as representatives how to make those tradeoffs. All I'm asking you is not to pretend they can be avoided.

With the current proposed package, the Mercer study estimates relatively modest increases in premiums of 4%, although I understand this estimate is controversial. I'm not an actuary and I'm afraid I can't resolve that controversy for you, but I acknowledge it to be an important issue, and to the extent other credible estimates suggest higher premium increases, it's clear where you have to start modifying the system. You are going to have to either reduce some of the no-fault benefits or you're going to have to reduce the right to sue in those limited cases where it's still preserved.

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Let me move on to what is a centrally contentious issue. I know it concerns the bar a great deal, and my own position is sharply at variance with that of the bar on this issue. That is, what should the impact be of the no-fault system on tort entitlement?

Let me say bluntly—and this is a subjective judgement; I don't pretend that this is something that science tells me, but it is my judgement, based on extensive evaluation and interpretation of the empirical evidence—in terms of containing premium costs, we should prohibit, as the bill proposes, the right to sue for economic losses beyond the no-fault benefits. I support that prohibition.

Why this is viewed as so radical is not clear to me. Workers' compensation schemes in force in this province, every other province of Canada and most of the rest of the industrialized world do exactly the same thing with respect to workers' comp benefits. It does not permit workers to sue their employers for economic losses sustained beyond the no-fault benefits.

However, I agree with the CBA, and was proposing to suggest this anyway, that insurers be required to offer optional top-up benefits, either on a no-fault basis or, as the CBA suggests, on an optional tort basis. Why not both, and let consumers decide whether they want to pay for additional coverage? But this would be, let me stress, additional coverage provided on a first-party basis that motorists would have to be willing to pay for.

So much for the prohibition on the right to sue for residual economic loss. I support that feature of Bill 164.

Let me move to the right to sue for non-pecuniary losses in all cases but subject to the \$15,000 deductible, and subject, I might add, not only to the deductible but to the Supreme Court of Canada's ceiling of about \$240,000 in 1992 dollars. I have serious reservations about this proposal. In fact, contrary to what was proposed in the previous interlocutory, I would advocate removing the right to sue altogether for non-pecuniary loss.

Let me qualify that—at least if there is a concern over the impact of this package on premium costs. That is, if

something has to be cut here, as Mr Winninger put to the CBA representative, I would not cut rehabilitation costs, I would not cut indexing, I would not cut no-fault coverage of economic losses. What I would cut is the right to sue for non-pecuniary benefits, that is, subject to some assessment on this committee's part that the package as it stands will generate unacceptable increases in premiums. If something has to be done to contain the projected premium increases, this would be my target.

Let me explain why. As the law and economics literature has pointed out—and these are not socialists; these are people from Chicago—this literature uniformly observes that one does not observe citizens, consumers, here or anywhere else, in voluntary first-party insurance markets buying insurance coverage for non-pecuniary losses.

Why is that? If it's as valuable as we've been told it is, why is it you do not observe people buying insurance coverage for all the sources of non-pecuniary loss they may sustain in life? Let me take a very extreme example. Why does one not observe parents buying life insurance on the lives of their children to cover the non-pecuniary grief they will suffer in the event of a child's death? Does anybody in this room with children have such insurance?

Mr Harnick: You can get it from the school. Every school board sells it and every parent buys it.

Dr Trebilcock: For non-pecuniary loss?

Mr Harnick: That's right.

The Chair: Order.

Mr Harnick: Every school board sells it and every parent—

The Chair: Order.

Mr Harnick: He asked a question.

Dr Trebilcock: My guess is, if you were to ask parents whether they know they've bought it, 99% would be totally oblivious to that fact.

Mr Harnick: It's very cheap.

Dr Trebilcock: I'm suggesting that if you go out and observe individual consumers and individual insurance markets, nobody buys insurance for the grief they will suffer in the event of their child's death. Why? Because money will do nothing to assuage their grief. You can't get the child back. What I infer from this and what the literature has uniformly inferred from this is that people place a relatively low value on monetary compensation for non-pecuniary losses.

Why do we call them non-pecuniary losses? The reason is precisely because money cannot replace the loss. Money can replace lost income and it can buy a relevant medical treatment, but it cannot replace a non-pecuniary loss. That's why we call them non-pecuniary. So if something has to go here, this is what I would eliminate. Let me add that all the empirical studies show that about 45% of all accident compensation payments in this province and elsewhere are accounted for by non-pecuniary losses, that is, losses that citizens place a very low pecuniary value on.

My alternative proposal, to the extent one wants to retain the right to sue at all, would run along the following lines: I would focus first on the injurer's behaviour. That

is, where injury has been inflicted as a result of intentional or reckless wrongdoing—this is the egregious drunk—and that conduct has caused serious and permanent physical or psychological injury, then in that case and that case only would I allow a tort action.

In that case I would allow it for full tort damages, economic and non-pecuniary. That involves egregious misconduct by the injurer and serious injury to the victim, which would be an even tighter threshold than in the existing regime. But in that set of circumstances, I believe concerns about deterrence, corrective justice and even retributive justice manifest themselves in their strongest form.

Let me go on to one other feature of the government's proposals that I am concerned about. It does not appear in the bill as such, but it appears in their study *The Road Ahead*. I am concerned about the proposal to prohibit or otherwise constrain "unfair use of age, gender and marital status" as rating variables in the sale of insurance. *The Road Ahead* goes on, at page 20, to say that some motorists, such as young men, will enjoy lower rates as a result. I strongly disagree with this proposal. I regard it as radically misplaced egalitarianism, and I am restraining myself to be so charitable.

Again, the empirical evidence from Quebec shows that moving to any kind of flat-priced, first-party, no-fault system, which in Quebec reduced insurance rates for young male drivers from \$2,000 or \$3,000 a year to \$300 a year, simply induces an increase in the population of these high-risk drivers on the roads. The two very careful studies that have been done have shown an increase of 6% to 8% in fatality rates, largely as a result of this. I think it is totally irresponsible to move in this direction.

Let me bring this down to earth. In our Alberta study, in a random sample of 577 bodily injury claims in Alberta for 1990, we observed that 10 claims out of this 577, that is, 1.7% of the claims in the sample, accounted for almost 40% of total losses, 40% of the total payouts.

I asked the insurers who were carrying coverage for the defendants in this case to provide me with a profile of these 10 claims. Of these 10 claims, much as I predicted, nine involved male defendants. Six of these defendants were young males between the ages of 17 and 24. Seven of the 10 claims arose out of accidents in rural settings, not in urban settings, and five involved alcohol impairment, three of the five involving young males. These are a high-risk class of driver, and I can't tell you how strongly I object to the notion of granting dispensations to them in premiums.

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Let me close by making a general point. In terms of reducing the cost of auto insurance, there are only two ways to go: One, you can reduce the frequency of accidents, and two, you can reduce the level of payouts for those accidents that still occur.

We have largely been talking about what kinds of benefits to pay out to victims of accidents. I have not spoken much about how to reduce the underlying accident rate. There was some general discussion, not nearly precise or specific enough for my taste, in *The Road Ahead*, as to how we can reduce the accident rate, because reducing the accident rate will have a direct bearing on insurance costs. Here again,

the empirical studies done around the world are now relatively unambiguous in their findings, no matter how politically unpalatable.

First, raising the driving age has a significant effect on the underlying accident rate. Second, raising the drinking age has a significant effect on the underlying accident rate. Probationary relicensing regimes for young and inexperienced drivers where they are subject to a curfew, they cannot drive after 10 at night or cannot drive with other teenagers—I reflect on the accident report in this morning's paper.

Graduated licensing schemes have been demonstrated to have a significant effect on the underlying accident rate. Wider use of short-term licence suspensions, more continuous enforcement of drunk driving laws and not just at Christmastime, more aggressive enforcement of seatbelt laws, all of these things can reduce the accident rate.

I conclude that, through expanded but sensitively designed no-fault benefits, most victims of traffic accidents will be compensated reasonably generously for their economic losses: 98% as opposed to 60%. Compensation will be paid much more quickly and rehabilitation promoted and fewer resources—probably a 20% to 30% resource saving will occur by reducing the transaction costs in the system. Little deterrence will be sacrificed at least with properly rated premiums, and premium costs can be contained to reasonable levels. Thank you very much.

The Chair: Thank you. Mr Harnick.

Mr Harnick: Sir, I read your brief with some interest. I don't know on the basis of your brief how you can then explain an insurance scheme like the province of British Columbia's. It's a first-party scheme. It pays full economic loss. It pays non-pecuniary loss. It provides reasonable accident benefits and the premiums are lower than the premiums that we pay and it provides all the coverage that a person realistically needs in today's modern society. Your brief essentially says that a scheme like that can't possibly exist, but it does. How do you explain it?

Dr Trebilcock: I don't think I did say that. The British Columbia scheme, apart from the fact that it's administered through a state agency, is very much like the old Ontario no-fault system of a few years ago, except the no-fault benefits are somewhat more generous. The last time I looked in 1991, they provided for a maximum of \$300 a week in income replacement; \$300 a week is not very generous.

Mr Harnick: Sir, if I tell you that a child who's rendered a paraplegic, quadriplegic or is brain-damaged is going to be paid by this government under Bill 164 the equivalent of \$391 a week for life—I guess you'd say that's not very generous either.

Dr Trebilcock: No. I don't pretend that it is generous. The question that I think I posed frankly was, what about the 40% of traffic accident victims who get nothing out of a tort system?

The Chair: Mr Winner.

Mr Winner: Thanks.

Dr Trebilcock: Suppose my child is turned into a paraplegic by my own negligence in driving this child to the hockey rink. I get nothing out of the tort system—zero.

Mr Harnick: But we don't have just a pure tort system here. We have a blended system.

The Chair: I'm sorry, sir. I've got to go on to the next questioner with Mr Winninger.

Mr Winninger: Thank you, Mr Chair. Normally I'm argumentative with the witnesses, but in your case you're so convincing, I can't disagree with you except on a couple of points.

First of all, it's been said a number of times that no one has come forward with unqualified praise for the statute, and I suggest to you that your support is most welcome.

Second, you seem to go a little further than we went in terms of non-pecuniary loss. I know there are different opinions on whether there should be a deductible or not and just where it should lock in. Certainly, we've increased rather than decreased access to tort for non-pecuniary loss. Could you comment on that?

Dr Trebilcock: I said that, as a first principle, I would provide very generous coverage of economic and medical rehabilitation costs, I would not provide no-fault benefits for non-pecuniary losses and I would not provide a right to sue for them.

Mr Winninger: I think I understand your position.

Dr Trebilcock: If I can just qualify that.

Mr Winninger: Sorry.

Dr Trebilcock: I would particularly take the position that there should not be a right to sue for them if there are now concerns over the level of premium increases driven by the no-fault benefits.

Mr Winninger: I should correct, for the record, that it was Allstate this morning that was seeking an 8% increase, and I should have known that. They're my own insurer, at least until I heard from them this morning.

Secondly, on the issue of ratings, I think you understand that ratings under our proposal would be based on driver experience rather than arbitrary variables such as age, sex or marital status. If indeed the reckless driver is visited with punitive increases in premiums, would that not offer a sufficient deterrent in a no-fault system?

Dr Trebilcock: Basically, under the bonus-malus system that you are talking about, you only suffer a penalty once you've committed an accident. I like the idea of my 19-year-old and 17-year-old sons knowing that before they step on the road either they or I will have to pay a \$3,000 premium and that they ought to be awfully careful or dad is going to get awfully mad.

Mr Winninger: You would disagree with the Supreme Court, then, on this point?

The Chair: I'm sorry, Mr Mancini.

Mr Mancini: Professor, I've enjoyed your presentation this afternoon. I think you've made a lot of points. I particularly like the comments you made about the road safety agency that we should have in this province and we don't have. You might be aware that the government did

introduce some enabling legislation quite some time ago. There's quite a bit of dust on that piece of legislation, and we're all curious as to why the legislation hasn't been brought forward. We've sat through these committee hearings for two weeks, listening to and being lectured to by numerous members from across the floor, but no one's ever talked to us about the road safety agency.

You added a new twist this afternoon that I'd like to talk about a little bit. You suggested that of course it would be unfair, and I agree with you, to make seniors and women pay more for their automobile insurance just so that young men could have the privilege of driving. I wasn't aware of either the statistics or the information that you brought forward, that in fact when this happens we get an increase in the number of young male drivers and that compounds the situation that much more and adds so much more to the costs of the whole system. Could you please elaborate on that, and could you tell us where we could obtain more information on that particular subject?

Dr Trebilcock: I have statistics for both Ontario and Alberta—not just these 10 claims but aggregate accident statistics from police accident reports; that's the principal source—that show driver involvement by age and sex in fatal accidents, drunk driving accidents and other casualty accidents. If we had time, I could show you bar graphs now compiled from thousands of accidents, and young males between the ages of 18 and 23 are up here; women of the same age are down here.

Mr Mancini: Could you please make that information—

The Chair: I'm sorry, Mr Mancini, your time has expired.

Mr Mancini: I just want to ask the witness to make the information available to the committee, that's all.

The Chair: Your time has expired.

Mr Winninger: Point of order, Mr Chair.

The Chair: Yes.

Mr Winninger: I think Mr Mancini is making a very valid point. Perhaps this information could be made available through the research assistant to all members of the committee so that we can evaluate it.

The Chair: Okay. Mr Tilson, do you agree that he can answer this?

Mr Tilson: Yes.

The Chair: Okay. Go ahead, Mr Mancini.

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Mr Mancini: It's nothing any more complicated than a straightforward request to have the information tabled with the clerk so the members can see it so we can use it during our further proceedings. I think it's quite important information and you've added a new twist to our thoughts here.

Mr Phillips: It's a good idea.

The Chair: Okay. I'd like to thank you for appearing before this committee today, and if you could file that with the clerk for the members of this committee, we only need one copy and we can photocopy it. Okay?

Dr Trebilcock: Fine.

The Chair: Thank you.

ASSOCIATION OF CANADIAN INSURERS

The Chair: The next group coming forward is the Association of Canadian Insurers. I'd like to welcome you to the standing committee on finance and economic affairs. We have one half-hour here, and as you can see, the members of the committee are anxious to ask questions at the end of your brief. You can start now, and please identify yourselves for the purposes of Hansard and the residents of Ontario here. You may begin.

Mr John Lewington: Good afternoon, Mr Chairman, members of the committee. My name is John Lewington. My associate today is Lew Dunn, and we represent the Association of Canadian Insurers. Our brief is before you and we do not propose to read it into the record in order that there is time for your questions at the end. We'll outline our thoughts and get quickly to a question period.

We do want to offer a view of Canadian insurers on the future course of automobile insurance in the province of Ontario. There is a list of our membership in the brief. Eight of our 11 members have their head offices in this province. All except one have a very heavy commitment to automobile insurance in the province. Frankly, we live here, we work here, we provide insurance here and we invest our reserves for claims and other liabilities here. We're a very interesting group: three mutuals owned by their policyholders, one cooperative and seven stock companies. Our common bond is our Canadian identity. Three out of 10 drivers in this province are insured by these Canadian companies.

During the past five years our companies have adapted to many changes in the marketing of the automobile insurance product, including rate freezes and the dramatic changes introduced with the Ontario motorist protection plan.

Our two and a half years of experience with OMPP have produced many positive comments from our policyholders. The consumer appears to like dealing with his or her own insurer, in preference to the adversarial environment of Ontario's former tort system. The current environment has been good for customer satisfaction. The old adversary system of, "Sue me; I'll defend," has been replaced by company customer service and satisfaction as we work with policyholders towards rehabilitation from injury, salary replacement and return to work or to the essential tasks of life.

There is an issue that was brought to your attention by the reinsurance research council that has a particular bearing on Canadian companies. It is important for insurance companies to smooth their losses over time so that one very large loss is not a financial catastrophe. Reinsurers are alarmed by the combination of unlimited rehabilitation and medical coverage plus indexed salary replacement and increased access to tort.

What we have with Bill 164 is a stacking of benefits that looks pretty dramatic to the reinsurers. A recent actuarial study commissioned by a major reinsurer estimated that the cost of catastrophic claims, in excess of \$1 million,

would increase by 14 times due to the rise in the level of benefits from OMPP to Bill 164.

Canadian companies do not have the opportunity to spread these risks of capital exposure inherent in the proposed bill over international operations. Canadian insurers rely heavily on reinsurance companies to smooth out their loss cost and to provide the capacity to underwrite business competitively. The lack of adequate reinsurance facilities or the dramatic increase in the cost of reinsurance will create instability for the market and will particularly affect indigenous Canadian insurance companies.

For my own company, Gore Mutual, in the first 18 months of OMPP we were subjected to the three largest automobile claims ever presented to our company. If Bill 164's costs are greater than OMPP, and I think that's generally acknowledged to be the case, then our company will definitely need the support of international reinsurers.

Lew, would you like to say a few words about capital and withdrawal?

Mr R. Lewis Dunn: Thank you, John. Just so that you're aware of it, John in his other life, aside from representing ACI, is president of Gore Mutual, and I am president of Canadian General Insurance.

In our report, we've indicated that we're much happier with the revisions to the withdrawal provisions as they're now drafted as opposed to in the original bill. However, I think it's fair to say that we fail to see why there is any need for withdrawal restrictions of any sort in a sensible market.

Our report does not deal specifically with the issue of capital adequacy, but Canadian companies are concerned about an inability to raise capital if premium levels prove to be inadequate and surplus margins are eroded. While foreign companies generally have access to international capital pools to support their operations, we must rely solely on domestic markets for the raising of capital and must rely on their willingness to invest capital in our industry.

Due in large part to the continuing uncertainty surrounding Ontario automobile insurance, it is clear that capital markets presently show no interest in investing in our business. If companies cannot charge adequate premiums for any reason or if capital is depleted in the early stages of a revised plan while proper premium levels are determined, Canadian companies are most vulnerable, particularly the smaller ones, which have been an important part of the Ontario economy for many years. Those companies with access to capital, namely foreign companies, will be in a position to take advantage of this. The end result will be increased foreign control of the property and casualty industry in this country and a loss of jobs as integrations occur, many in smaller communities, where Canadian companies tend to be centred.

Mr Lewington: I've had the opportunity of reading some of the summaries from your deliberations over the last two weeks, and the question of tort has come up on a number of occasions. There have been a lot of questions about tort and access to tort here today.

The existing system is the end result of an intensive study designed to strike a balance between the rights of

individuals and the affordability of the product. It is also worth remembering that the verbal threshold that OMPP contains has only been tested by the courts two times to date. In the US, where verbal thresholds have been adjudicated over a longer period, the trend is to broaden the definition over time. Perhaps all Ontario's threshold needs is a longer test of time to satisfy those who would like more people to access the courts for excess economic losses and pain-and-suffering settlements.

Bill 164 extends the right to sue for pain and suffering, subject to a \$15,000 deductible. We are concerned this will not control claims costs. The current cap on general damages established by the Supreme Court is totally dependent on economic loss being paid in full. There are sound arguments that first-party benefits do not constitute full payment of economic loss, and therefore there's a real danger that the court's cap will no longer apply. We suggest that this be addressed in the bill if Bill 164 is to proceed.

Since settlements may vary between jurisdictions, there will be shopping for the most generous domicile in which to commence an action in order to ensure that a plaintiff's claim meets or exceeds the \$15,000 deductible. In addition, we agree with other presentations that the \$15,000 will become a starting point, not a deductible. We'd probably also agree with Professor Trebilcock that non-pecuniary suits might be the place to start cutting back Bill 164 if this committee should agree that Bill 164 is going to be too costly. Lew, would you like to say something about claims costs and the accident benefits?

Mr Dunn: I'd like to take a few minutes to comment on Bill 164 as it relates to accident benefit claim costs. I know that this committee is probably hearing cost issues ad nauseam over the last several weeks; however, this is undoubtedly the most critical issue that we're dealing with here. The issue is not uniquely Canadian, but it concerns our members, as well as it does all other insurers, and my comments on the accident benefits reflect the experience that I have had in this field.

I've been in the insurance business for some 28 years, and for over 20-odd years of that time I was involved in the employee benefit field, specializing in underwriting and claims administration for disability income replacement benefits. I am an actuary, a fellow of the Society of Actuaries and fellow of the Canadian Institute of Actuaries.

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The first thing I would like to point out to you, and it is in our document, is that the benefits under Bill 164 create the most generous benefit system in totality in this country. Since costs follow benefits, it therefore follows that Ontario drivers will have the highest costs of any province in Canada for their auto insurance. It must also be recognized that there are no mature statistical data on which to assess the costs of OMPP's accident benefits.

The major difference in cost between the Mercer and IBC studies is the assumption regarding long-term recovery rates. Even at 30 months, which is the OMPP experience base to date, the Mercer figures are proving to be far too optimistic. There is no other plan today which provides benefits comparable to OMPP, and there is no other plan

which provides the arbitration and appeal process we have when benefits are terminated by an insurer. Therefore, there are no statistics on which to base the implications of cost of those particular elements. That creates uncertainty in terms of the cost comparisons that you see.

I don't believe that even the IBC costings reflect the true cost of OMPP, and they certainly significantly understate the cost implications of the changes under Bill 164. Allstate alluded to this somewhat this morning in that its own studies indicate that losses will be higher under Bill 164 than those currently estimated.

In looking at accident benefit costs, it must be understood that the greatest impact on the uncertainty of costs is the number of individuals who remain disabled beyond 24 months. There will be very little disagreement among professionals with respect to the cost for benefits in the first two years. You might think that at 24 months following an accident, only the most serious of disabilities will remain. I can tell you from our own experience, Canadian General has 21 claimants receiving accident benefits now for 20 months or more. Some 16 of these claimants are soft-tissue injuries: three involve fractures, none of which are particularly serious, one involves damage to a knee and one involves a head injury.

These claims, I would suggest to you, are influenced by factors other than just the accident: the type of employment, the availability of employment, the motivation of the claimant, the lifestyle of the claimant. All of these factors have a significant influence on claims which remain beyond 24 months.

What does Bill 164 do to increase the likelihood of claims continuing beyond 24 months? First of all, it extends benefits at significantly greater levels to individuals who do not have stable employment records or perhaps opportunities for employment. Most importantly, it sets up a bureaucratic structure to essentially assume management of claim files after 24 months. The strength which the private sector brings to the table in managing disability claims is virtually removed at the end of a 24-month period.

The provisions in Bill 164 create a government bureaucratic structure. The best comparable thing that I can find to what's created is the workers' compensation program. I would suggest if you like workers' compensation, then you'll love Bill 164. The actuarial statistics that are currently being used do not recognize this and, if they did, the magnitude of the underestimation of benefit costs would be a shock to all of you.

You must remember that unlike workers' compensation funding, private sector insurance companies are required to reflect future disabilities on a fully funded basis. We cannot meet solvency requirements by assuming that future premium flows will make up today's experienced deficits, as is currently the case with workers' compensation in Ontario.

The important message is that under Bill 164, there are going to be significantly increased benefit payments, and these benefit payments, I believe, will exceed any estimates which you have seen to date.

Mr Lewington: In summary, given the current economic environment, any changes in the auto insurance

product should be minimal, as the real cost of coverage that is currently being provided has not yet been determined. Furthermore, there does not appear to be any widespread dissatisfaction with the auto insurance product as it's presently being offered.

We, the Association of Canadian Insurers, believe the present system (1) works well; (2) there's a well-thought-out balance of coverage and cost; (3) provides the tort protection the most seriously injured require; (4) has some weak spots in the benefit structure; (5) can be modified, fine-tuned for improvement, such as addressing the problems of the self-employed, the small business owner and getting around to doing that review of benefits that was promised under the original bill; (6) all at a fraction of the cost increases contemplated in Bill 164.

Alternatively, Bill 164 should be delayed until the cost issues are resolved and industry and government actuaries agree on the level of claim cost changes called for by this bill.

We do appreciate the opportunity to express our views. Thank you for listening.

Mr Owens: Thank you, gentlemen, for your presentation. I just have some quick questions for you. In terms of your concerns about the withdrawal provisions, I'm pleased that you've recognized the changes that the government has made with respect to withdrawal.

I am concerned, though. You talk about the movement of capital in the free-enterprise system. Just in terms of how the association views its corporate responsibility and your position within insurance companies, do you, as members of the insurance industry, feel that you have a responsibility to the consumers who have bought policies from your companies, that they have some type of reasonable notification that you're in fact going to withdraw from a particular market?

Mr Lewington: Mr Owens, Gore Mutual is a 150-year-old company. We are owned by our mutual policyholders. There's no question about the responsibility which management has towards its policyholders.

Mr Owens: So in carrying out that responsibility, if you were going to withdraw from a particular line of insurance—or other companies for that matter—do you view that 180 days' notification as being reasonable to ensure that consumers are protected, the market is kept stabilized?

Mr Lewington: I would agree that that kind of notification is not unreasonable.

Mr Owens: In terms of the deductible, we keep hearing different views on the \$15,000 deductible. We heard earlier from the Canadian Bar Association that the deductible is in fact too high and it's recommended that we lower it to \$7,500. Do you have a position on the deductible in terms of, is it too high, too low, is it a good place to be?

Mr Lewington: Frankly, we feel that the verbal threshold is the right way to go, but if there has to be a deductible as contemplated in Bill 164, \$15,000 would appear to us to be probably the starting point for claims after a period of time when the claimant gets used to the system.

Mr Dunn: I think it's fair to also comment, as was expressed by one of the individuals this morning, that the involvement of the legal process with claimants is not necessarily something which benefits claimants in terms of getting them back to useful status or useful functioning in society. Any concept of a deductible essentially, as was expressed this morning, brings the legal profession into the picture in a much more significant way than we presently have under the current environment.

Mr Owens: Is it your view that we can, through companies like yours, provide to consumers in this province a comprehensive benefits plan delivered within a reasonable period of time within the private sector framework? In terms of some of the criticisms—it's not only lawyers who have taken a little bit of a beating through this process, but the insurance companies certainly have come in for some criticism as well from victims who have testified—

Interjection.

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Mr Owens: Can I finish my question, please? What kind of assistance are you prepared to offer, through your individual companies, through your association, to ensure that in fact consumers do get the kind of responsiveness they require at a time when they're injured and feeling extremely vulnerable?

Mr Dunn: Our companies all have involvement in various industry associations which play a part in some of that. Many of the companies have consumer relations departments which provide a role in that. There's clearly a role for government, I believe, in some respects in helping with that communication process as we have at the present time.

The Chair: Okay. I'm going over to Mr Mancini.

Mr Mancini: Mr Phillips has one question before I take the floor.

Mr Phillips: I appreciate your brief. As you're probably well aware, we're into our third week of these hearings and it's proven to be—

Mr Lewington: My condolences.

Mr Phillips: —fascinating. Some of the things keep coming back to me. One of our very first witnesses said that as far as he was concerned, this is a solution in search of a problem. I don't think I've ever seen a piece of legislation that seems to be tinkering with something that seems to be working as much as this does.

For the people out there watching this who are unemployed or facing real problems in paying their bills, to see their Legislature tied up dealing with a bill that plans, as far as I can determine, to increase the cost of insurance in this province by about 10%—it probably will take about \$400 million more in premiums out of the province. I think over 90% of all the witnesses would say to us, "We would strongly prefer to leave things as they are instead of going to the revised bill."

For whatever reason the government wants to—even if there aren't enough problems out there, they want to stir another problem up. I thought this tiger was kind of sleeping quietly, but we're going to jab it now. I guarantee you, as

people out there look at premium increases of 10% to 20%, the phones will be flying.

My question to your group is: What is your own best view on what implications this might have for auto insurance premiums in the province, recognizing that this comes on top of the normal cost increases? Has your organization a view that you could share with us on it?

Mr Lewington: We're in the process in our company of discussing with our actuary what we need right now. I heard Allstate this morning indicate they would be coming to OIC asking for an 8% increase. I don't think ours will be quite that high, but we do require a change right now. I've heard numbers kicked around from 4% to 20% depending on whose study you look at. They all seem to agree that the costs are going to go up. I'll take the middle road, I think. Your 10% doesn't sound out of line.

Mr Phillips: Thank you.

Mr Dunn: Mr Phillips, as I indicated earlier, in my own personal view, based on my experience in the disability field and as an actuary, those cost increases will prove to be inadequate in relation to the cost of benefit that we will see. I would certainly opt for the high side and suggest that, over time, even the high side could well prove to be inadequate.

The Chair: Thank you. One minute left.

Mr Mancini: Just a small point. The parliamentary assistant indicated earlier that lawyers had been heavily criticized in this process and that the insurance industry had also been heavily criticized. I want to let our witnesses know that the Ontario government was criticized to an extent that makes one curious as to why it's proceeding with this legislation.

There is no advancement on the road safety agency; no willingness to review Bill 68, as was contemplated, to see what amendments could be made to help people who've fallen between the cracks; no concern, it seems, for the rate increases that seniors and women will face; absolutely no concern as to the disruption and turmoil that's been caused in the industry.

I want to ask you very clearly, do you feel that if this insurance business had not been made such a gigantic political issue over the changes OMPP brought in, do you think maybe, if circumstances had been less politically intense, you'd have a better opportunity to work with the government and put forward opportunities which would give people the product they need at a fair price?

Mr Dunn: I think the current environment has seen a substantial amount of discussion between the industry and the government, and the industry has put forward, I think in a very positive way, many proposals that we feel are much more acceptable to the consumer. What is difficult to judge at this point is whether the political agenda will recognize those particular issues or not.

Mr Tilson: Just following along the same line of questions that Mr Phillips and Mr Mancini have been speaking to you about, the insurance industry seems to be the one industry, the one group of people the government has spoken to. They obviously haven't listened to you, but you're the one group they have at least spoken to.

The strange part of it is that this is a government that was concerned about the OMPP as a party in opposition. They were concerned about the rights that were taken away from innocent accident victims, and they were concerned about higher rates.

Sir, on your comments about taking the middle ground, no matter what ground you take, rates are going up, whether it's 4%, or now we're up to 25% by the insurance group this morning, and you're right, it's probably somewhere in between, but if you take somewhere between 4% and 25%, for average people who are worried about losing their jobs and worried about their house and bankruptcies and paying taxes and all of this stuff, why are we doing it now?

It would assist me as an opposition member to hear some insight as to your observations, because maybe they can be persuaded to delay it. That was one of the issues you raised in your presentation. Obviously, now they've got a task force. They had the bright idea to have a task force, literally weeks before these hearings took place, and they're going to have a task force that's going to study the issue.

They don't understand the benefits. Nobody understands the benefits. Nobody is sure about the costs. Do you have any insight you can give to me as an opposition member to try and persuade these characters to slow up on this process?

Mr Lewington: Mr Tilson, being president of an insurance company is an extremely complicated task. It's like a juggler keeping six balls in the air at any one point in time. I have an adage in my company that if it's not broken, don't fix it.

Mr Tilson: This government has an adage, if it's broke, break it.

Mr Lewington: In this particular case, if OMPP had followed its course, at the end of two years there would have been a review of benefits under that program. A lot of the suggestions that have been made in the first two years of OMPP for improvement of the benefits to take care of some of those contentious issues, such as the self-employed person, have been suggested to the government within the context of OMPP.

Mr Tilson: As a national organization, which I gather you are, there have been some suggestions that for people coming from outside the province, this whole package will have an effect on the tourism industry, particularly people from the United States. Have you had an opportunity to speak to any international organizations and any international insurance companies as to further comments on those allegations?

Mr Lewington: I have not.

Mr Dunn: I have not.

Mr Tilson: Okay; thank you very much.

The Chair: Thank you. Time has run out. I'd like to thank you for your presentation before this committee, and have a good day.

CANADIAN MENTAL HEALTH ASSOCIATION,
ONTARIO DIVISION

The Chair: The next presenter is the Canadian Mental Health Association, Ontario Division. Come forward, please. I'd like to welcome you to the standing committee of finance and economics. We have half an hour, until 4:20. We're 20 minutes behind because we moved from room 1 down here and there was some setup time involved. Sorry for the delay. You may begin.

Mr Oscar Johvicas: I appreciate the venue, because I was here before several years back when we were discussing Bill 68 and I'll make reference to that in my statement presentation here today.

Mr Chair, members of the committee, I appreciate the opportunity indeed of being here to discuss Bill 164, which you are currently having public hearings upon.

The Canadian Mental Health Association, Ontario Division, is an incorporated, registered, non-profit charitable organization chartered in 1952. I can't resist the opportunity, though, to mention that our national body is celebrating its 75th anniversary next year. Over 4,000 volunteers are active in direct board and committee service in a network of 35 branches located in communities across Ontario, and I suspect many of the communities the members of the provincial Legislature here come from will know of their CMHA branch in the community. Ontario division and branch services and programs are funded through government grants, local United Ways and supplementary fund-raising activities.

1550

As you know, on October 5, 1991, the government of Ontario introduced Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. The bill was introduced to remedy some of the inequities of the previous administration's new Ontario motorist protection plan through providing automotive accident victims with higher benefits and increased opportunity to claim for so-called pain and suffering.

On October 13, 1992, the Legislature of Ontario gave second reading to Bill 164 and referred it to this standing committee. The CMHA, Ontario division, has requested the opportunity to make a presentation on Bill 164 as it did on the original Bill 68, which the CMHA believed was flawed.

As I suspect you also know, on October 23, 1989, the Minister of Financial Institutions in the previous administration introduced for first reading Bill 68, the Insurance Statute Law Amendment Act, 1989, also known as the new Ontario motorist protection plan. This legislation introduced a modified no-fault automobile insurance system into Ontario with a very high verbal threshold. If a person suffered an injury, either directly or indirectly, from an automobile accident, that person or his or her estate was prohibited from suing for damages unless that person had "died or had sustained a permanent and serious disfigurement; or had sustained a permanent and serious impairment of an important bodily function caused by continuing injury"—and I emphasize—"physical in nature."

This was a clear case of discrimination based on physical as opposed to psychological or mental injury. Those accident victims who suffered a serious and permanent mental or psychological injury as a result of an automobile accident were excluded from the threshold determination.

We felt so strongly that Bill 68 was seriously flawed because of its discrimination between physical and mental automotive injuries that we appeared on January 9, 1990, before the standing committee on general government to which the bill had been referred for public hearings following second-reading.

As part of our presentation, we referred to the Canadian Charter of Rights and Freedoms under the equality rights, subsection 15(1), which states, and I quote, "Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law without discrimination based on race, national or ethnic origin, colour, religion, sex, age or mental or physical disability."

Clearly, the exclusion from the threshold determination of those suffering from a mental disability was not providing equality before and under the law, nor equal protection and benefit of the law.

Even Ontario's own Human Rights Code provides that every person has a right to freedom from discrimination on the ground of handicap, which includes a condition of mental retardation or impairment or mental disorder.

What the Canadian Mental Health Association found particularly objectionable about Bill 68 was the way in which it reinforced the stigma against those with mental disorders by giving credibility only to physical injuries, as demonstrable injuries for which compensation could be sought through the courts. Psychological and mental injuries were treated as if they could not be substantiated and therefore individuals sustaining these injuries were not provided with an equal opportunity to bring a legal action for fair and just restitution.

So obvious was the transparent discriminatory nature of Bill 68 that when the CMHA, Ontario Division, invited medical and mental health organizations to come together to review the legislation, the following organizations joined together as a mental health coalition in opposing the discriminatory nature of Bill 68: the Advocacy Resource Centre for the Handicapped, ourselves, the Ontario Head Injury Association, which I think you heard from earlier today, the Ontario Medical Association, the Ontario Psychiatric Association, the Ontario Psychiatric Hospitals and Hospital Schools Association and the Ontario Psychological Association, which I understand you're hearing from later today.

On February 6, 1990, these major Ontario organizations held a media conference to unanimously express their opposition to the discriminatory nature of Bill 68.

In spite of this strong denunciation of the discriminatory aspect of the legislation, including individual appearances by most of the organizations mentioned above before the standing committee on general government, the government of the day proceeded and passed its bill and thousands of innocent accident victims were denied fair

and equitable recompense because theirs was a psychological or mental injury.

While both opposition parties had opposed Bill 68, it became apparent that a correction to the discriminatory nature of the new act could only be through a change of government. Much to our surprise, and I suspect to both the outgoing and incoming governments, in September 1990, the government did change.

The newly elected administration commenced with automobile insurance reform which resulted in the introduction of Bill 164. This bill recognizes that the victims who are not at fault and who are seriously injured through a motor vehicle accident should be compensated for pain and suffering. In addition, this bill provides access to reasonable benefits to individuals injured in a motor vehicle accident.

We applaud the proposed section 267.1 of the act, which states that the right to sue for non-pecuniary loss—pain and suffering—is preserved. This section effectively opens up access to the courts to many of the estimated 85,000 people who annually, prior to Bill 68, were able to seek compensation. The result is that the discriminatory aspect of the previous act has been removed and physical and psychological injuries are both viewed as equally legitimate injuries. However, in our optimism for this recognition of the right to sue for severe psychological injuries, we are assuming that the term “bodily injury” in section 267.1 will be given the widest interpretation in the courts.

If those who suffer from severe psychological injury, for example, a mother who sees her infant die in an automobile accident, even though she wasn't a part of the accident—she was standing on the roadside and was not directly involved—that person should be recognized by the courts as someone who can indeed suffer a “bodily injury” as a result of post-traumatic stress.

However, the courts, similar to legislatures, are subject to a perception that if one cannot see the physical injury, then it does not or may not exist. There is a continuing scepticism in our society of any disorder that is perceived as being all in the head. However, there are diagnostic tools which can measure cognitive impairment and affective difficulty, ie, psychological injury, with objective findings. The measurement of post-traumatic stress disorder and chronic pain injury are now being regularly taken into consideration in assessing both physical and psychological injury in such places as the Workers' Compensation Board.

We would like to make a special commendation of the Honourable Brian Charlton, the former Minister of Financial Institutions who, when the minister responsible for automobile insurance review, invited us to make recommendations. Naturally, we requested that the discriminatory nature of the previous legislation be removed. The current act is viewed as unacceptable in its discriminatory treatment of psychological injuries as a result of automobile accidents. It is our perception that Bill 164 has removed that blatant discrimination and we wish to thank those committee members here and those in the Legislature who will continue to be vigilant in opposing such discrimination and correcting it when it occurs.

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I don't know whether it's within your jurisdiction to take this final recommendation, but perhaps it could be passed on to the appropriate levels of government for their consideration. We noted earlier that the original Bill 68 appeared to violate both the Canadian Charter of Rights and Freedoms and the Human Rights Code of Ontario. Obviously, when government itself introduces legislation which is blatantly discriminatory, there needs to be some remedy other than the court of public opinion or through the long, expensive legal process of appealing all the way to the Supreme Court of Canada.

It should be possible for organizations and individuals to recommend to a body such as the Ontario Human Rights Commission that it review the possibility that a piece of provincial legislation is discriminatory and in violation of either the Canadian charter or the Ontario Human Rights Code. When a bill is being examined for systemic discrimination, the bill should be restricted from reaching third reading until the advice of other relevant authoritative bodies has been received by the standing committee reviewing the bill.

In that way, the public could be assured of better protection from bills that initiate or reinforce discriminatory practices. Furthermore, organizations such as ours with very scarce resources could be saved the time and cost of working on issues which we believe should be attended to through official channels of communication already open to the government.

I thank you for your adherence to my statements on this legislation.

The Chair: Mr Mancini.

Mr Mancini: No questions.

The Chair: Okay; Mr Tilson.

Mr Tilson: Thank you, sir. There are more and more groups that have been coming to this committee and asking that the legislation be delayed for the reasons you've given, for the issue of uncertainty as to what it's really going to cost, for some sort of cost factor not only to the insurance industry, but to the government with the increasing bureaucracy that will be created not only in the government, but in the insurance commission, and on it goes. I thank you for coming and giving that counsel. Hopefully this government will listen to somebody, because I think it should be delayed as well. I don't think we know enough about all the implications of this bill.

Mr Johvicas: Actually, I wasn't counselling for delay and I suspect that justice delayed is justice denied. But to take your point, I'm not opposed if the bill needs further study, and I'm very happy that I think the bill addresses our concern about Bill 68, the current act's discriminatory aspect.

However, even if it's delayed or if the current legislation is brought in, and we want it brought in and enacted because we think it removes discrimination, we're not arguing about whether it costs more or not. I can perceive that there are things that may cost more. I think most people have perceived that in one way or another it's probably going to cost more.

What I'm talking about is, whatever guidelines are put in place, be sure to treat the mental injury and the physical injury equitably. It doesn't have to cost more. The way you put your thresholds and what not, as long as you treat them equally, then the cost factor's immaterial to me and it's just a question of the appropriate authorities figuring out what an appropriate and reasonable cost might be. All I'm talking about is equitable treatment. I'm not saying throw the doors wide open and the sky's the limit. I'm just saying, please treat both injuries equally.

Mr Tilson: I guess the difficulty, sir, is that we have been guaranteed by almost every delegation that's come forward to this committee that costs will be going up. Even the government has now admitted it, although the minister keeps saying there's not going to be any rate increases, which will be interesting. Even the government is saying this whole package costs more. I guess the difficulty is that now, in a time of recession, someone has to pay for it.

Mr Johvicas: Yes, and I don't think the people who are psychologically or mentally injured are the ones who should pay for it, so what I'm saying is, treat them equitably and adjust your cost levels as the government, in its difficulty in a recessionary period, sees fit.

Why is it more reasonable to not give just compensation and benefit to those who are mentally and psychologically injured in an automobile accident than to turn this whole thing over? Why don't we just go in reverse? Let's give whatever we were planning to give in financial resources to the physically injured to those who are psychologically and mentally injured. It makes about as much sense to me that the solution is not to limit fair and reasonable and non-discriminatory coverage under the charter and the Ontario Human Rights Code than to do the reverse. That's all I ask you to do. Just think, why should only those people who are physically injured be compensated? That's unfair.

Mr Tilson: Having talked about the loss of rights to the people you represent, and that's a legitimate concern of all of us, would you spend some time on how the specific issue of economic loss, loss of future income, affects the people you're representing.

Mr Johvicas: It's really sort of peculiar for us to be here, and we're only here because of the limited discriminatory aspect. Most of the people we're involved with, whom our branches provide direct service to in your community, are chronically mentally ill, and those aren't the people, unless they're involved in an automobile accident, who are going to be really affected by this legislation, except that they're citizens in the province and may be in an automobile accident.

Mr Tilson: No. People involved in motor vehicle accidents who sustain the injuries you're speaking of are going to have a major problem. They're going to lose their right to sue, their right to recover, whether you're talking of the student who has been training or whether it's a medical student—all of those people.

Mr Johvicas: I understand that, and it's an individual—

Mr Tilson: Who's going to speak for those people?

Mr Johvicas: I don't think the Canadian Mental Health Association has a mandate to speak for those people any more than any other group has a mandate, because—

Mr Tilson: The more voices we have, the better, sir.

Mr Johvicas: Yes, but we're concerned with mental and psychological aspects of legislation, and when it comes to the economic aspects of this legislation pertaining to loss of income, that is not a particular mandate that we, other than as being regular citizens ourselves, are particularly chagrined about or concerned about. I'm not here to speak as an individual citizen; I'm here to speak on behalf of our organization.

Mr Tilson: The difficulty, of course, is that this legislation affects all of us and in many respects the same way, whether it be economic loss—certainly, the issues you raise zero in on this specific area, but the overall issues certainly encompass the people you're representing and I'd like you to spend—have I got much time?

The Chair: You've got about 15 seconds.

Mr Tilson: Fifteen seconds: I wish you good afternoon and thank you for coming, sir.

Mr Johvicas: I thank you.

Mr Klopp: Thank you for coming today. It really makes me wonder when someone can sit here, a colleague in this House, and say to you, "Thanks for trying to defeat this bill," when quite frankly, as you pointed out, it you weren't. It makes you wonder how much they're listening to the rest of the arguments and to the discussion today. I find it amazing.

Your comments are quite interesting. You've been around here today. We've been told by our opposition critics that nobody needs this and, "I'm healthy as a horse, so to hang with everybody else." In fact, at one point today it was even mentioned that we've made a political decision to change what we felt was flawed in that previous bill. Of course it's a political decision. I'm an elected politician.

But it's really people like you who put my side, that I'm healthy today, and you are here representing a group of people who were left out. I need to hear this, because so many times we just think, "Well, I'm healthy today and to hang with somebody else." If we're lucky to be healthy, we need to take care of our brothers and sisters who aren't. I really think that, and I am getting more and more convinced that this bill is a far better bill than what we've seen before. I thank you for your time to talk for those people who really need someone to be there. I'm sure you don't get a big paycheque to do it and I'm certainly glad you are doing that.

When we talk about the benefits, there have been a number of other issues that we put in place. Do you know any more about those benefits, ie, if you get into an accident today and you are employed, you can get further benefits? Are you aware?

Mr Johvicas: Yes, I'm aware of the services the government is putting into place and has available through the different benefit services it has, whether it comes through the current OHIP system or whether there are

other benefits that the bill introduces and provides to people directly to rehabilitate them, psychological injury included. We're very appreciative that this kind of service will be made available through the legislation.

I do want to say as well, if I may, that we certainly aren't here in any partisan way. We condemn legislation when we think it's not serving the interests of our clients and people who potentially can become our clients. We commend, and I think it's important to do so, when a government's acting appropriately to remedy something that we thought was flawed.

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Mr Klopp: I think that's what committees are for, to hear all sides. I think it's a great process. It just really bothers me when someone seems to say something good or bad and they turn right around. I wonder how well they're listening. I certainly have heard a lot of concerns, but I've also heard a lot of positive directions. We have to look out for the victim as much as we have to worry about profit lines.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I think it's commendable that you are attending today before this committee to make the comments you have, that the discrimination that existed previously in the OMPP will no longer exist under Bill 164. I think that certainly needs to be noted and I'm glad you came forward before this committee today to make that note. Indeed, you've mentioned the minister, Brian Charlton, and that he did listen to you.

I'd like to take this opportunity to make a comment. So often before this committee, the opposition members will suggest that we as a government are not listening to the people who are coming before us with all their concerns. I think even before we got to the committee stage, before this point in time, the minister was listening to those people out in their respective communities with their respective concerns and in particular your organization when it came forward. It's come forward today and you've indicated to us that the Canadian Mental Health Association, Ontario Division, had an opportunity to speak with the minister and bring forward your concerns. In fact, they were recognized and are recognized in Bill 164.

The Chair: The time has expired. I'd like to thank you for your presentation before this committee.

CANADIAN ASSOCIATION OF REHABILITATION CENTRES

The Chair: The next presenter is the Canadian Association of Rehabilitation Centres. I'd like to welcome you to the standing committee on finance and economic affairs. We have one half-hour. Could you leave some time at the end of your brief in that half-hour for members of the committee. We'll start off with Mr Tilson when you're finished.

Mr Allan T. Walton: Let me introduce myself. My name is Allan Walton. My training is in psychology and I'm the director of rehabilitation centres. I've worked in the field of rehabilitation for 10 to 12 years now, treating workers' compensation as well as motor vehicle accident

victims. I'm currently chief operating officer of Columbia Health Care, which has 14 rehabilitation centres, primarily in Ontario, the vast majority treating motor vehicle accident victims. I'm also the president of the Canadian Association of Rehabilitation Centres which represents 40 different treatment centres in Ontario.

My comments today are also endorsed by the Canadian Association of Rehabilitation Personnel, which was not given time to speak. They contacted me yesterday to ask that their name be added to my comments, as well as Rehabilitation Services of Canada, which is one of the largest rehab providers in the country.

My comments are going to be limited to what we feel are the effects of Bill 164 on rehabilitation. To understand our position, it's necessary that you understand where we come from in rehabilitation.

Prior to Bill 68, we had the infamous tort system. As it happens, I have here with me briefs from the tort system. This is a real case. I'm seeing the patient on Thursday. It's an accident that occurred in 1985. This is the defence brief and this is the plaintiff's brief. We have here 59 various reports and articles from different physicians, yet I've been asked to see this patient on Thursday. This case is still not settled. This is a soft tissue injury with a minimal accident.

Rehabilitation under the tort system was always one of conflict, but I don't think many people really understood the conflict it put the injured motorists in. The information they got from their physicians and health care providers was that they had to resume a normal lifestyle as quickly as possible, yet their lawyers told them their settlement was largely based on how badly they were doing, how sick they were and how disabled they were. So we were constantly battling these two forces. Of course, we always had our battles with the insurance industry and there were a lot of problems with the pre-Bill 68 legislation.

With the introduction of Bill 68, the OMPP, there was a resolution of many of those problems. There was improved access to rehabilitation, there was increased funding, and while increased funding was important, the increased access was probably more important. But I think there was another certainly more subtle but much more dramatic effect of OMPP and that was that there was very little litigation. I do agree with the Ontario Mental Health Association that that threshold is discriminatory and should be changed, but it did reduce the amount of litigation. Success rates in our clinics have risen, patients are no longer in conflict and we have a consensus between the insurance company, the patient and the health care provider that the goal is to return to a normal lifestyle.

I make reference in our presentation to a published research article on behavioural research and therapy done in 1991. In that paper the patient population was large enough to have a subset of those who were undergoing litigation. What they found was that 48% of the patients contacted a lawyer within seven days. This was in British Columbia. Chronic pain was significantly more common in those litigating and the general impact of pain was reported as significantly higher even though there was no difference in measures of pain, anxiety or depression. This research

article mirrors exactly what we've found in Ontario when treating patients.

There are problems with Bill 68, there's no question. There are a lot of attitudes that have to be changed. There is still some conflict with the rehabilitation industry and the insurance industry, but that change is occurring. Subjectively, certainly all of our members—I remind you that's over 40 clinics in Ontario—have found there's been greater patient compliance and greater success without litigation.

Our major concern with Bill 164 is the change away from the threshold to the concept of pain and suffering. There is a sense right now in the majority of patients we see that if they have a motor vehicle accident, they cannot sue unless their physical damages are catastrophic. By and large that's true, notwithstanding the recent court challenges. They approach rehabilitation with a much healthier attitude.

With Bill 164 and the opportunity to get compensation for pain and suffering, you are going to have patients who are going to approach their lawyers, probably within seven days as in British Columbia, to find out if they qualify for their pain and suffering, because Lord knows, everybody's suffered more than \$15,000. What their lawyers will tell them, quite accurately, is: "I don't know yet. We'll have to see how much pain and suffering you have. The longer you're off and the longer you're disabled, in all probability the more pain and suffering you will have."

At the same time, they will inform their clients that they must participate in rehabilitation or their benefits may be reduced. That patient will then come to our rehabilitation centres and he will participate. At the same time, he will be back in the old tort system where he's been told quite clearly, "If you improve, then your compensation under pain and suffering will likely not be there or be significantly reduced."

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Frankly, this legislation, if passed, will be a financial windfall for rehabilitationists. We will make a lot of money with this legislation. Patients will be attending our clinics longer than they had before, because there's little incentive to get better and there's a lot of incentive not to. A lot of controversy will go on, and we will have this type of thing yet again as we try to determine whether there's pain and suffering with that patient.

Notwithstanding what we feel will be a financial windfall if this passes, we are not in support of this legislation. We think it's premature. Bill 68 is very new. We're operating under two systems right now. It is our opinion, as an association, that Bill 68's faults can be remedied by a change in the definition associated with the threshold. One of the major changes would be to incorporate psychological problems, which would be consistent with the Ontario Mental Health Act, and some modest changes in the schedule of benefits. To embrace Bill 164 would simply bring us back to the days of tort and, it is our opinion, would significantly impede the recovery of injured motorists.

We have opinions on the details of Bill 164. Myself, Dr David Corey, Dr Hamilton Hall and some of our other members have followed the legislation over the years, but it was our decision not to delve into that at these hearings

as we felt that the major premise of Bill 164 was flawed. Frankly, we didn't want our views diluted and sidetracked on other issues.

If the intent of Bill 164 is to throw money at injured motorists, then I think it does so very well. If the intent of this legislation is to assist injured motorists in recovering, this is a giant step backwards.

Mr Tilson: It's interesting when you talk about the subject of rehabilitation. It has been said that already people are saying, whether it be lawyers or whether it be advocates advising the people who have sustained injuries, you have to qualify for this \$15,000; in other words, just delay. The very thing you're talking about that occurred with tort actions: delay. Don't go to rehabilitate, don't get too much better, because you might not qualify for the \$15,000, which of course is going to be a penalty in the first place because you get \$20,000 and you take \$15,000 off and all you're getting is \$5,000.

As you were making your presentation, already I've heard people making those comments that injured people will be advised not to rehabilitate, not to seek out rehabilitation and to delay their recovery simply to qualify for this so-called new NDP threshold test. I don't know if you have any thoughts on that or whether or not you've heard any remarks similar to that.

Mr Walton: Certainly that's possible. That happened in the past, but frankly that's not our major concern. Our major concern is that it's much more insidious than that, that quite unconsciously patients know what's going on. We have had cases in the past where lawyers have told their patients to find a job and lose it and have instructed them very clearly on how to behave.

What I'm more concerned about is the effect of something like the BC system, where it's very routine for patients to carry around a pain diary for years. Lawyers supply them. Now they're supplying them with tape recorders as well. Whenever you have a twinge, whenever you have a pain, tape record it or mark it down, all in the interest of documenting pain and suffering. I'm more concerned about the insidious effect of that rather than any blatant instruction to stay off work or not participate in rehabilitation.

Mr Tilson: Is this system going to be replacing one system that has defects with another system that has perhaps a different type of defects, all at an increased cost? I'm thinking specifically of the adversarial system. In the past, you had two or more parties involved in the motor vehicle accident, and they went at it through their insurance companies and fought it out in court. Now of course these people, unless they meet this deductible test, will be going at it with the insurance companies, and may go at it with the insurance companies anyway, for various benefit packages.

Insurance companies are telling us that it's going to be more and more difficult for them to provide the benefit packages that the government wants them to, so they're going to be tougher to deal with, and hence you'll have another—I mean, you've showed us a package of medical documents. Do you foresee that same sort of adversarial

system or same sort of adversarial presentation could be made vis-à-vis insurance companies?

Mr Walton: Sure. I think that was the basic premise between 164, really to place people in opposition. At least Bill 68, with its flaws, had some consensus to it. We had a difficulty in changing attitudes within both the rehab and the insurance industry, but things were moving along and working. The introduction of 164 really does place everybody in opposition yet again, and like I said, we've built an industry on that, as has the bar.

This is a real case. It was frankly fortuitous. I had it in my case. It wasn't a setup. I'm seeing this patient Thursday, and this will go on.

Mr Tilson: The socialists have traditionally said that we're all the same and we should all be treated the same and we're all equal, although some people are more equal than others, that old expression.

I guess I get to the question of the rehabilitation benefits, the packages that are going to be put forward. Is it possible, financially and otherwise, to put forward packages that can meet everyone's needs to meet their standard of living that they've been accustomed to, the way they lead their lives? In other words, is it possible that they may receive those same rights they may have received under former systems under the system that's envisaged by 164?

Mr Walton: I'm not sure that we as a country or province even subscribe to the idea that we're all equal.

Mr Tilson: They do. They say we're all equal, we're all the same, and that's the flaw that I see in this process. We're not all the same. I mean, whether you're Liona Boyd or Tom Henke or whoever, we're not all the same. We all have different talents and we all need to be compensated in different ways, and that's the flaw of this government. Do you have any thoughts on that?

Mr Walton: I agree with that. I mean, I agree with that to some extent. I must admit I do have some difficulties with the concept of the threshold, which allows economic recovery for certain classes of people, but frankly I'd rather go to a complete no-fault than 164. That's a real problem.

But it really is a myth that we in Ontario treat everybody the same. If I'm in a motor vehicle accident then I have access to either \$500,000 or, if 164 goes through, unlimited rehabilitation funds. If I slip on my own sidewalk, I do not have access to those kinds of funds and I don't have access to the kind of expensive treatment centres that would treat me for that. So we really don't subscribe as a province to the premise that we're all treated equally. What we're really talking about is, where should the boundaries be and what are the fairest boundaries we can find?

Mr Tilson: I thank you, sir, for coming.

Mr Winninger: I guess I have to confess I'm having a little difficulty in knowing where you're coming from on this. You come to us as a person who provides rehabilitation services to clients, yet you're saying that we shouldn't have removed the \$500,000 cap on rehabilitation and presumably the 10-year limit on that. I might ask you first of all whether you've canvassed your clients to find out whether they approve of your taking this position or not,

because it seems to me it would be prejudicial to their interests under any system.

Mr Walton: I would suggest to you that the \$500,000 cap is used by a very few and the vast majority of them qualify under the threshold. The real problem wasn't the amount of money. In fact, on rehabilitation, none of our members, without exception, feel that the cap should be unlimited. Frankly, we are more concerned about the limit being taken off and then suddenly a \$3,000 cap being placed on treatment before it can be stopped. That's much more insidious. The rest is smoke and mirrors, frankly.

Mr Winninger: That's why we set up a task force to look at standards and guidelines for long-term care and rehab. What do you do with your clients who are over the 10-year limit or the \$500,000 cap? Do you just ignore their interests?

Mr Walton: I would like to see Bill 68 there long enough to test it.

Mr Winninger: What about all the people who come to us and complain about having problems accessing their rights and remedies under Bill 68? Do you agree that this bill actually makes it easier for a doctor or therapist to provide accident victims with rehabilitation and makes it more difficult to stop paying benefits?

1630

Mr Walton: In Bill 164?

Mr Winninger: Yes. With the independent assessment, for example.

Mr Walton: No. I don't see that at all. With Bill 68, particularly for treatment services to the vast majority of our clients, which is psychological and physiotherapy and so on, the access has been greatly improved. With a physician's referral, the insurance company must pay even pending a dispute. That has been reduced in Bill 164 to \$3,000. Now, for somebody with a head injury, supplementary medical benefits are at a maximum of \$3,000 if there's a dispute with the insurance company. That was not there in Bill 68.

A head injury assessment will be \$1,500. That provides very little treatment beyond that before there is a cap, which was not there in Bill 68. That is the more insidious part of Bill 164. That is the objection.

Mr Winninger: It may be in fact that your association has misinterpreted the regulation. Are you aware that there's no \$3,000 limit on supplementary medical benefits and that the \$3,000 refers to the amount that the insurer must pay in respect of a particular provider or expense pending dispute?

Mr Walton: Exactly. So if a patient is referred to one of our centres and there is a dispute on that—I must remind you that the Insurance Bureau of Canada helped me interpret this yesterday. If there is a dispute right now, the amount is unlimited pending resolution of that dispute. Under this legislation, the proposal is that that be limited to \$3,000. Now, we were told by the IBC that that was specifically to avoid having US companies, who charge high fees, have access to our patients.

Mr Winninger: I guess I would put it to you that while there have been differing opinions expressed here on the threshold for pain and suffering suits and for economic loss and the rating system, what there has been, I think, is virtually unanimously expressed support for the improved rehabilitation sections.

Mr Tilson: Unanimous? Are you kidding?

Mr Winninger: We've heard this from the Advocacy Resource Centre for the Handicapped, the Consumers' Association of Canada, independent adjusters, chiropractors and, in particular, what might be some of your sister organizations, like the Organization for the Multi-Disabled and the Head Injury Association of Thunder Bay. Why is it that they enthuse greatly about the rehabilitation benefits that Bill 164 offers compared to the OMPP and you're so critical?

Mr Walton: Because the vast majority of the people you described are not rehabilitation providers. We're there in the front line treating patients. And I remind you, I'm speaking now for 450 rehabilitationists in 40 clinics in the province of Ontario. Unanimously, we are in agreement in our position here and we are the ones out there treating. You have not had the vast majority of rehabilitation people speaking here who have requested to speak here. Their representation here has been limited.

Mr Winninger: Do you think rehabilitation should be consumer-driven or supplier-driven? I mean, surely the people who can offer the best evidence as to the long-term care and rehabilitation they receive are the actual consumers. They seem to be quite pleased with what we're offering under Bill 164 and they have no financial interest one way or the other.

Mr Tilson: They don't even know what hit them.

Mr Walton: Exactly. They're quite happy on Bill 68.

Mr Winninger: You're not giving them much credit, are you? We've heard some very convincing presentations from the consumers.

Interjections.

The Chair: Order.

Mr Mancini: He's making up stories.

Mr Winninger: No, I'm not.

The Chair: It's a difference of opinion. Mr Mancini, you'll have your chance.

Mr Winninger: I leave it to you to fabricate. I don't make up stories.

The Chair: Okay, you have to ignore some of the side conversations.

Mr Winninger: Is there time left?

The Chair: I know the one answer you gave, you got right into it. Mr Tilson's mike is not on, so just carry on and ignore your right ear there.

Mr Walton: I didn't know Mr Tilson needed a mike.

The Chair: Okay, fine.

Mr Winninger: Is there time left?

The Chair: You have one minute left.

Mr Winninger: I put it to you that you haven't really put forward a viable alternative to what Bill 164 offers. How would you streamline the mediation process? How will you ensure that insurers pay now and dispute later? I'm no apologist for the tort system; people who have come before here will know that.

Mr Walton: As I mentioned, we can address some of that. Certainly, in the short answer, because there is a limited amount of time, I would put the cap of \$500,000 back on. I would remove the \$3,000 limit and I would allow the insurance companies the right to initiate an arbitration should mediation fail.

Mr Winninger: If you removed the \$3,000 limit, don't you approach the \$500,000 cap a lot faster?

The Chair: I've got to go on to Mr Mancini. Mr Mancini, you've got the floor. Go ahead.

Mr Mancini: I don't intend to speak over Mr Winninger.

Mr Johnson: Since when?

Mr Mancini: Since Mr Winninger took so much umbrage because we wanted to inform the witness that a lot of the things he was recalling to you were an exaggeration. We have not had a whole host of people before the committee telling us how great Bill 164 is. As a matter of fact, it's been exactly the opposite.

Mr Klopp: He said the benefit package.

Mr Mancini: Mr Walton, you're exactly right when you said that front-line rehabilitationists like yourself—if the government members want to listen—have not had a lot of opportunity to make your case. That's why they're taken by such surprise.

Earlier today, when Dr Corey was in, when he told the committee that Bill 68 was working fairly well and that success rates in his clinic that he operated had increased from 50% during the tort years to over 75% since OMPP, it caught the government members off stride, because the government admitted today before the committee, during questioning, that it had not canvassed people like yourself. They had not canvassed people like Dr Corey. We asked Dr Corey—

Mr Owens: Not true.

Mr Mancini: You know the government members take so much umbrage when we make a comment or two—

The Chair: Mr Mancini, would you carry on?

Mr Mancini: Mr Chairman, I have six minutes and I'll use it how I see fit.

The Chair: If you want to talk to the government members, that's fine.

Mr Mancini: I want to tell you, Mr Chairman, the government members take so much umbrage when Mr Tilson or I add a word to the proceedings, and yet for the last 30 seconds I have had nothing but constant interjections from the parliamentary assistant who sits right next to you, and you've had not a word to say.

Mr Walton, when Dr Corey was in here this afternoon and he was telling the committee members about the improvements of patients who need rehabilitative care, I

asked him whether he had been canvassed by the government in regard to his findings prior to the introduction of the bill. Dr Corey said he had not. I asked him if he knew whether other people who were doing similar rehabilitation work had been canvassed. He thought that canvassing by the government was not done.

You're here before us. You told us earlier on that you're the CEO of 14 clinics, I believe. Were you canvassed by the government to find out whether Bill 68 was delivering better rehabilitative care since its introduction as compared to the tort system? Were you canvassed?

Mr Walton: No, we were not, we—

Mr Mancini: Fine, thank you. I do this for the express purpose of the parliamentary assistant who interjected saying that everybody had been canvassed and the facts are that everyone has not been canvassed.

Mr Owens: Would you let the witness finish his answer.

Mr Mancini: The other reason the government members feel a little bit disjointed this afternoon is because usually they like to take pride in saying they've talked to front-line workers, people like yourself and people who work in your clinics, and say, "We've talked to the front-line workers and therefore we know what the concerns of the consumers and the deliverers are." They've not done that and that's why we had the questions for Mr Winninger placed the way they were.

The other thing that disjoins the government members—I commend you for this because we've had other groups who've not taken your position. You've come in to say: "Yes, we believe we have enough money, don't put more money into the system. Let's make sure that we access the money and the services we need immediately and properly." What you're telling us this afternoon is different from some other groups, who maybe were motivated more by their self-interest than by other particular needs that have to be addressed.

Would you agree with me that Bill 68, the present Ontario motorist protection plan—I took very seriously the comments made by the gentleman representing the Canadian Mental Health Association as to what he had to say about Bill 68. If the proper length of time were given for Bill 68 to work, and if the government and this committee spent its time trying to assess the shortcomings in Bill 68 and incrementally improve Bill 68, would you agree that Bill 68 is far superior than Bill 164?

Mr Walton: I would agree with that. The one provision I would like to see is exactly the same one the mental health association would like, which is a change in psychological. I was speaking with Lee Samis yesterday morning, in fact, with IBC. It is his opinion, and I agree with it, that we can likely come to a consensus on the wording of a threshold that would be acceptable to the psychological association and the mental health association without having to dramatically change the bill.

1640

Mr Mancini: I was going to say to the gentleman who presented to the committee on behalf of the Canadian Mental Health Association, but I felt reticent in saying so, because the oversight was so dramatic, that I believe the

requirement that was in Bill 68 which obligated the Legislature to receive a review of how Bill 68 was working was put in there for a good purpose.

That purpose was to show to legislators, with the assistance of community people like yourself, the Canadian Mental Health Association and others, where we might have been wrong and where for a modest fee the insurance benefits could be increased to the consumers, who have to carry and pay for the whole shot.

The Chair: You have 30 seconds.

Mr Mancini: In closing, I want to thank you for appearing before the committee and giving us the information you have, because you were absolutely right when you said earlier that you are giving us a perspective which this committee has not had before. People who are doing the work you're doing have not had as great a standing before this committee as others and I join the committee in taking responsibility for that. Thank you for coming.

Mr Owens: On a point of clarification, Mr Chair: The witness indicated on a question from Mr Mancini that his organization had not been consulted. My understanding from ministry staff, sir, is that you have met with the deputy minister, Blair Tully, at least once if not twice. Is that not true?

Mr Mancini: That's not a point of clarification; that's further questioning.

Mr Walton: We met with him once over a year ago and had no further contact until we were contacted the week before these hearings and given an arbitrary time to prepare.

Mr Owens: By the clerk.

The Chair: Thank you.

Mr Tilson: Let him finish. That's interesting.

Mr Walton: In fact we had to pull to request enough time to get hold of our members. We were phoned the week before, I believe it was on a Thursday, and told, "You will be allowed to appear the following Wednesday at 4 o'clock," and that was it. We had to jump through hoops to get that time changed, to have enough time to get in touch with all our members and prepare.

Mr Owens: And that phone call was made by the clerk.

The Chair: I'd like to thank you for appearing before this committee.

ONTARIO PSYCHOLOGICAL ASSOCIATION

The Chair: The next group is the Ontario Psychological Association. Would they come forward, please. You have one half-hour, until 5:10. Would you mind identifying yourselves for the purposes of Hansard and the citizens of Ontario. I'd like to welcome you to this committee. You may begin.

Dr Ronald Kaplan: I am Dr Ronald Kaplan and I am here with my colleagues representing the Ontario Psychological Association. I am a clinical psychologist based at Chedoke-McMaster Hospital in Hamilton, Ontario. I am co-chairman of our association's task force on automobile insurance. With me is Dr Ruth Berman, the executive

director of the Ontario Psychological Association, and Dr Gary Snow, a psychologist at Sunnybrook hospital and co-chairman of our task force on automobile insurance.

It is a pleasure to be given an opportunity to express our views on the proposed changes in automobile insurance legislation. The Ontario Psychological Association has been actively involved in the debate over automobile insurance and we had the opportunity to speak before a similar committee that was reviewing Bill 68.

The Ontario Psychological Association is a voluntary organization representing the profession of psychology in Ontario. Our membership of approximately 1,400 includes psychologists, psychometrists and graduate students. Our profession has a long-standing interest in treatment of the psychological and neuropsychological disorders and pain that are the consequence of our epidemic of automobile accidents and its devastating impact on human life, health and wellbeing.

Bill 68, the OMPP, the predecessor of Bill 164, is our current system of compensating and rehabilitating accident victims. Our association, in concert with many others, as you heard from Mr Johvicas, strongly opposes the thrust of Bill 68 to create two classes of accident victims: those with permanent psychological injuries, who would have no legal rights, and those with permanent physical injuries, whose full rights would be guaranteed. We are gratified to see that Bill 164 does away with this discrimination in Bill 68.

We argued previously that the success of the social safety net envisioned by Bill 68 would depend on a collaborative educational effort. We believe that many problems with the current system arise from a failure of insurers to educate their staff and their clients, a failure of government to educate health professionals and the general public and the lack of authority of the Ontario Insurance Commission to reach out and guarantee that accident victims know their rights and which benefits they should receive.

Widespread communication among the insurance industry, government, health care professionals and consumers has not occurred. The accident victims and their families with whom we work are not informed of the range of benefits that they can access or the system for resolving disputes. Physicians do not know that Bill 68 creates a mechanism for accessing services from a wide range of health care providers. Insurance industry staff are often poorly educated about their critical role as facilitators of treatment and rehabilitation.

There is an unacceptable degree of variation in the quality of service offered accident victims by the member companies of the insurance industry. We believe that education will be as critical to the success of Bill 164 as it has been a key factor in the extraordinary difficulty many accident victims are having with their benefits under Bill 68.

In our last appearance before the Legislature we described the particular economic problems of women, children, those with psychological disorders and owners of small business. Let me focus on the latter issue. Indeed, a large proportion of psychologists are small business people and are very concerned with this. Individuals who run small businesses go into debt to do so, borrowing money and often mortgaging their homes. Bill 68 was particularly

harsh on small business people because they receive no compensation for excess economic loss unless their injuries are permanent. Thus, small business people risk loss of all their capital without hope of compensation. If the small business folds, their employees also run the risk of job loss.

Bill 164 perpetuates these special problems for small business people. They risk their life's work and wealth going down the drain without hope of regaining their lost investments. We do not believe it is fair that those who take the greatest risk and do the most for economic development in this province face loss of significant capital investment while employees of large businesses are compensated under this law. We believe the weekly income cap in Bill 164, coupled with total restriction on lawsuits for excess economic loss, is based on an inappropriate understanding of the economic situation of many citizens. There must be a better solution for these business owners.

One of the essential features of our current legislation, Bill 68, is to create a situation of inequality in knowledge of rights and access to advocacy between accident victims on the one hand and insurers on the other hand. Bill 68 provides no funds for the victim to gain access to legal guidance but places no limits on the insurer using the best of legal advice. Bill 68 uses complex, cumbersome, uncertain and expensive-to-interpret language, a verbal threshold, to determine legal rights, while at the same time providing no means for compensating the accident victim for the cost of determining if he has legal rights. We are concerned that Bill 164 also fails to create a system where accident victims have ready access to knowledgeable, experienced advocates and compensation for the cost of obtaining independent legal advice.

1650

The complexity of the regulations in Bill 164 is a great source of concern. Let's imagine that you're not a member of the Legislature but indeed you are a brain-damaged accident victim. You have persistent pain. You're heavily medicated and you are trying to determine your entitlement to weekly income under Bill 164. You obtain a copy of the regulations for Bill 164 and you try to interpret them. You aren't successful. Who's going to explain and re-explain to you your rights and benefits? Does the person who is explaining your rights to you have a conflict of interest? Is that person knowledgeable? If you are an accident victim and need advice from a legal expert, how can you pay for that advice? Are you, as an accident victim, required to negotiate your treatment and income replacement with your insurer or can someone else do it on your behalf and be compensated? We believe the regulations in Bill 164 are so cumbersome that they may put the accident victim, once again, at great disadvantage. We suggest that each of you read the regulations, as I am sure you will doing in the next few weeks, and see if you don't agree.

Let me now give you a slightly different perspective by asking the question: What has been the experience in providing psychological care under Bill 68? Firstly, you should know that the Ontario motorist protection plan is unique in health care legislation in Ontario. The Ministry of Health funds a medical care system heavily oriented

towards physician-driven acute care, with a relatively small and poorly funded mental health and rehabilitation sector. Bill 68 contained a broader vision, that accident victims require access to a range of health professionals not easily available under the Ministry of Health system. Psychological care and personal and vocational rehabilitation are key features of the current Ontario motorist protection plan. This is the only legislation, for example, that guarantees citizens full access to the services of psychologists for assessment, treatment and rehabilitation. Bill 68 creates a mechanism for psychologists and other professionals to utilize their unique skills with accident victims and their family members. Bill 68 is not artificially capped; it does not restrict psychological care. Those who are mourning the death of their children or spouses in accidents, those who are suffering nightmares, phobias, depression, pain, who have experienced brain damage, can now receive early, targeted and complete psychological care.

Unfortunately, the proposed new regulations under Bill 164 allow an insurer to refrain from payment when disputing a bill over \$3,000. Accident victims typically require psychological and neuropsychological assessment, functional evaluations, teaching of strategies to cope with pain, therapy for anxiety and depression, assistance compensating for mental impairment and the critical factor of family education and treatment. Assessment and therapy will be allowed to begin under Bill 164 but may be interrupted or terminated in the early stages when a relationship of trust is being established and the task of developing a treatment team and a comprehensive approach is at a critical stage.

The last two pages were changed in this presentation copy.

Accident victims will suffer if insurers interrupt therapy or the threat of non-payment is faced by the treatment team. Injured persons may experience further demoralization, intensification of depression and further loss of hope. Symptoms which are not treated become entrenched and disability is prolonged. Ultimately, this ends up increasing costs for the insurer because when a therapy or rehabilitation program is finally approved after a dispute, the patient's situation is worse. This prolongs the duration of weekly income replacement and costs more than timely, targeted rehabilitation. We are concerned that the process of terminating treatment, seeking further funding, waiting for a determination and resolving disputes will undermine the fundamental purpose of Bill 164: early treatment and comprehensive rehabilitation.

We would remind the committee that in *The Road Ahead* the government estimated that repairing automobiles required 50% of the insurance dollars paid out, income replacement required 30% of the insurance dollars and supplementary medical and rehabilitation benefits only 15%. Ironically, the cost-saving emphasis is not directed to the most expensive item, vehicle repairs, but at a smaller item, the cost of repairing the lives of accident victims.

We would also draw your attention to a key objective of *The Road Ahead*: enhanced access to rehabilitation and medical benefits to assist the recovery of injured persons. We believe the government may be misleading the public

by stating that there is no monetary limit on reasonable medical and rehabilitation expenses. In fact, the \$3,000 limit creates a much more restrictive rehabilitation environment than the present OMPP. This is a policy—raising the limit so that it's unlimited in time and amount, but placing a \$3,000 cap—that is inherently contradictory. It may place the accident victim at a further disadvantage.

In Bill 164 we are asking all accident victims to forgo compensation for excess economic loss, but we may also be creating a system that will hinder and stall rehabilitation and add a new level of complexity to the process of receiving necessary care. We propose that if there's going to be any cap, it must be at a significantly higher level, that rehabilitation professionals should be allowed to negotiate directly with the Ontario Insurance Commission and the insurer on the client's behalf and that the Ontario Insurance Commission would have to create a fast-track approval system for rehabilitation.

Finally, we are concerned that the ministry did not include registered psychologists, who are gatekeepers under this law according to Blair Tully, in the advisory group to review this issue. We want to take the opportunity to thank the government and the ministry for being open and accessible for psychologists to express their views on the automobile insurance legislation.

We thank you for your time and would be pleased to answer questions.

Mr Owens: I'd like to thank Dr Kaplan and your copresenters. Dr Berman, we meet once again at Queen's Park. We had an excellent outcome the last time we met with respect to your organization and the needs that you addressed. I'm hoping my responses will start on the road to satisfying some of your concerns here today.

In terms of the task force, I'd like to indicate that there still is the possibility for the addition of members. That possibility has not been closed to you, and I appreciate your suggestion with respect to the addition of a psychologist.

In terms of your concerns around the \$3,000 cap, I agree that when one is establishing a therapeutic relationship, that continuity is important in terms of trust-building and ensuring that both parties feel comfortable with each other in terms of the goals to be reached over the rehabilitation process.

In terms of the \$3,000 cap, it is only if the insurance company is disputing a claim submitted by the claimant. Only at that point will the insurance companies be required to pay the \$3,000, and then the claim will be subject to a dispute resolution mechanism. Our view is that if the claims made are reasonable—and I have no reason to believe any of your members would be submitting unreasonable claims—this should not be problematic. I see some concerned looks over there. Would you like to pursue it?

1700

Mr Tilson: You've done away with the reasonable man. He's gone.

Mr Owens: He's certainly not a Tory. Anyway, in terms of your concerns with respect to the small business person, I'm wondering if you're familiar with some of the work we have done with respect to the small business

person and the self-employed person here in the province. Dr Kaplan?

Dr Kaplan: I'm not sure what you're talking about in terms of the small business person and the work you've done.

Mr Owens: In terms of the regulations that do things like compensate a small business owner if he or she in fact has to hire somebody to carry on the business while he or she is incapacitated, were you aware that was done?

Dr Kaplan: We are aware that there have been improvements in terms of the regulations for people who are self-employed, but we have concerns that this doesn't cover all the gaps that the self-employed, the owners of small businesses, may encounter in trying to run their businesses.

We are not economists and we can't comment about all of this, but we continue to be concerned that there may be gaps for people who are running small businesses and may not be able to keep those businesses going. One of the concerns that we have is that the \$1,000 cap seems to place some upper limit on what a person could experience.

Mr Owens: Absolutely, and in terms of the kinds of things that we've done, again, we've looked at simplifying for the purposes of determining income. We look at profit the same way as we do income taxes. There's been adjustments for non-cash expenses. There are a number of things we've undertaken to assist the small business owner. In terms of economic conditions, we can do what we can in terms of providing an enabling economic environment.

The Chair: Question, Mr Owens.

Mr Owens: I'd like to hear from you what kind of gapping have we not taken into account in terms of the small business owner, or the self-employed person, for that matter.

Dr Gary Snow: I'll start and perhaps Dr Kaplan has something to add to this. Let me just give you our experience under Bill 68. Most psychologists I know who work with people at present have encountered owners of small businesses who have had significant problems. They have lost their businesses under Bill 68.

One of the problems that we have, and it comes back to a point Dr Kaplan made, is that the current regulations are so complex that, not being economists, we can't figure out all the possible limitations. But it is important that if there is a \$1,000 cap on weekly benefits payable to a person under this, and if other business expenses will not be paid during this period of time, then there remains the possibility the person could lose his or her business under this proposed system. That's one of the concerns we have.

If you look at our brief, you'll see that we haven't tried to address this issue in totality ourselves. We have suggested that the government consult with small business associations to make sure there are no gaps in there so that expertise can be brought to bear.

Mr Phillips: I appreciate the presentation. I try and put this thing in a bit of a broader context perhaps, in that the witnesses we've had before us are obviously speaking from their perspective and doing, I think, a very good job.

The group that has difficulty getting here is the people who are going to pay this, the millions of drivers out there whose premiums, when this bill passes, are going to go up by 10% to 15%.

All of the people out there watching this right now are going to see their premiums go up \$70, \$100, in some cases substantially more. In terms of the economy, it's going to mean that if premiums go up 10%—and most people think that's reasonable. That's not a bad estimate. I don't think it's reasonable, but not a bad estimate—that's \$400 million more that it will cost the people of Ontario, and it is in some respects regressive, because no matter what your income is, your premiums will go up. Even though you may be unemployed or may be on minimum wage, your premiums are going to go up the same as somebody who's making substantially more.

The reason I raise this is that I don't think we can view this in isolation, because you people are in the health area. The hospitals you practise at, Sunnybrook and Chedoke, both are getting zero increase: zero increase this year, zero increase next year. So here we are about ready to spend, if you will, or charge \$400 million for this bill; that's what it's going to cost the people of Ontario. But at the same time the government says, "We don't have the money"—and I understand that—"for the 2% promised to the hospitals," which would have been \$140 million.

The reason I go through all of this is to try and get your judgement, because I think your organization in many respects is very close to a lot of people who are dealing with the difficulties of a tough economy. In your judgement, is this the best use of \$400 million of money of the people of Ontario, or are there better ways to spend \$400 million?

Dr Snow: In terms of the amount of money that's going to be spent, we've seen different figures from different organizations. I think there have been at least four separate costings of that.

I think one of the positions that our association would take would echo what Mr Walton said earlier. Our association would far prefer to see money going into a comprehensive health care program for the province so that you didn't have to worry about covering psychologists under OMPP, so that taxpayers' dollars could give us a comprehensive health care system rather than a physician-in-hospital system.

Dealing with one of the points that you've raised, we've seen psychologists who have lost jobs in the past two years because of cutbacks in the hospital system. OMPP does give us the ability to step in and work with one particular part of the clientele, but the unemployed whom you've talked about, the people who are having difficulties because they are out of work, are people we are not allowed to help at this point because we're not covered.

In terms of the \$400-million expenditure, we don't have the economic expertise to comment about where the costs are going to come out. We've seen so much variation that, being mere psychologists, I don't think we could come down one way or another in terms of what the cost is going to be.

Mr Phillips: Well, "mere psychologists"—I think the government estimate itself would say it's going to be a minimum of \$200 million, and then we've seen a variety of other estimates. I think it looks like it will be \$400 million.

I keep raising this because I think the public quite properly wonder what in the world is going on when they are facing the economic situation they're facing and they see us planning to proceed with something which, in my opinion, based on all the witnesses we've heard so far, may have some modest improvements—not clear, substantive improvements—for a huge pricetag.

Dr Snow: May I just address that? I think one of the things you have to realize for our members is that most of the people we're seeing now under OMPP are not people who are uninjured complaining about premiums. They are people who have had injuries and who need our services.

In the context of the services, we are pleased with what has happened under Bill 68. With the exception of the \$3,000 cap under Bill 164, we are pleased with the services that that provides. As psychologists, though, what we primarily deal with are the people who have pain, suffering, the people who need access, and our primary goal here is to make sure that whatever system is implemented works for the injured person following a motor vehicle accident rather than addresses the issue of premiums. I understand that the public has concerns about premiums, but we have to speak for the injured party here.

Mr Phillips: No, and I—

The Chair: I'll have to go on to Mr Tilson.

Mr Tilson: One of you used three or four words that sort of stuck in my mind. I think it's an excellent choice of words, and that is that this legislation is reaching a new level of complexity. It really is. Whether you're for or against the tort system, it took years and years and years to develop. Even the subject of that fine-tuning between general damages and economic loss, you know, all these cases that went to the trilogy and put caps on things—it took years to develop this.

The insurance companies are now saying, and many others are saying the same thing, that Bill 68 didn't have enough time to develop. We have a case called Meyer on one side and another case, Dalglish I think it is, on another side, and one goes too far and one doesn't go far enough, depending on who you're talking to, I suppose.

1710

The fact of the matter is that the insurance companies are saying that more time is needed to give the courts a chance to define a test, to clarify that test and decide whether it's good or not. Now we're going to have all kinds of complications, complications as to the \$15,000. Are the courts going to lean over backwards so that people qualify for that? Because of the fact that there's no economic loss, is there going to be a whole new meaning to pain and suffering so that perhaps there won't be a cap on pain and suffering?

I guess it goes on and on. We're going to have yet another set of litigation. The big issue is uncertainty. As a member of the Legislature, when I have people involved in OMPP cases come to my constituency office, they

don't understand. Now this stuff is going to thoroughly confuse them.

I'm sure your patients or people that you've talked to haven't had an opportunity to express their thoughts on Bill 164, because even the government can't figure it out. What's your opinion with respect to that uncertainty, if you've directed your thoughts to that, and the effect that it's going to have on our society as a whole?

Dr Snow: One of the things we say in our brief is that we feel the government should, if Bill 164 is passed, make every effort to try to explain to the public what the \$15,000 and the \$5,000 new financial threshold test on pain and suffering would mean. Our experience at this point is that with the current system, most people don't understand what their rights are and how the current system works. The new system is far more complex. With the new system, we will also introduce three separate systems that work at different times.

If we go ahead with Bill 164, it's obviously going to take an extensive amount of education to bring the public up to speed in terms of what happens if your accident was prior to 1990, prior to the new threshold. We are concerned about the complexity of that in terms of the kinds of clients we see. But I would return to Dr Kaplan's point as well, that we're going to need someone to explain this to individuals who have been involved in motor vehicle accidents and we're concerned about where that explanation would come from.

Dr Kaplan: Just to make that point, whatever threshold you have, whether it's verbal or financial, we're learning that it introduces uncertainty. The verbal threshold under Bill 68 was, in our opinion, designed to be maximally confusing and uncertain to all of us. I spoke on this issue as early as four years ago before the Kruger commission and to Justice Osborne.

Now we're dealing with a financial threshold. I don't know if it will be as complex, but when we limit rights by some kind of device, it does lead to complexity and uncertainty; we can't avoid that. As psychologists, our concern is whether innocent accident victims, or not-so-innocent accident victims, have a mechanism for getting the best possible advice about where they stand, whether it's Bill 68 or Bill 164.

Our clients are people who have a lot of difficulty figuring out these very complicated insurance systems, and they need a lot of support and advice. Under Bill 68 and Bill 164 as envisioned, there's really no one who is independent explaining to the accident victims what their situation is.

Mr Tilson: I agree, notwithstanding the fact that the parliamentary assistant says, "Oh, well, we'll expand the advocacy legislation," in other words, a form of public defender system which will be totally unacceptable for providing the expert advice that is required.

Mr Owens: That's not what I said.

The Chair: One minute.

Mr Tilson: I'd like to compliment you on the subject of economic loss with respect to the small business men. Notwithstanding the comments that have been made by the parliamentary assistant, if you have someone running a

convenience store, for example, that person may or may not be making the profit it appears, and he or she will be pouring money back into the business. I don't think the regulation takes that into consideration.

If they clear \$25,000, on paper at least, because they're pouring money into the business, 90% of the profit is \$22,500, but they'll never in a million years be able to hire somebody at \$22,500. The result is that the business goes down the tubes. Notwithstanding the suggestions made by the parliamentary assistant, all of that is uncertain, and there's a great deal of fear among the small business persons.

The Chair: I'm sorry, Mr Tilson, the time has run out.

Mr Tilson: I thank you for coming.

The Chair: I'd like to thank you for appearing before this committee today. Have a good day.

Mr Tilson: Mr Chairman, I'd like to speak on a point of order.

The Chair: Your point of order?

Mr Tilson: Mr Chairman, the next procedure we have in this committee is the subject of clause-by-clause. The difficulty I and my caucus has is the time needed to prepare for suggested amendments, if any, to this legislation. I understand that the summary of the testimony that has been given throughout these proceedings, including today's, may not be available until the end of this week. The concern we have, in properly preparing to participate in clause-by-clause discussions, is that more time will be needed to review the summary of the legislation, the summary of the suggestions that have been made by members of the public. Otherwise, you know, we're just going through—

The Chair: Okay. I fully agree with your point of order. Let's put Friday, February 12, at 4 pm, as the deadline for handing in amendments, if you agree with the Chair on that.

Mr Tilson: The difficulty I have, Mr Chairman, is that as I understand it, the summary—and perhaps we can have some input on that—of the presentations, including today's, may not be available until that time.

Mr Andrew McNaught: That's right; probably by Friday.

Mr Tilson: I can tell you that if the summary isn't available until Friday, it'll be nigh to impossible to prepare, taking into consideration all the recommendations that have been made by delegations to this committee.

Mr Owens: On that point, from a personal perspective, I certainly sympathize with Mr Tilson's position. However, the members of the third party have consistently been available and taking notes and I'm not sure we can hold this process up. The Hansards are available for perusal. In terms of the time frame that has been set up, we've already had some delay by the unexpected passing of our legislative colleague. In terms of the clause-by-clause, I think the Chair's suggestion of the amendment exchange taking place on the 12th of this week, as suggested in a memorandum to the clerk by Mr Mancini, is a perfectly reasonable suggestion.

The Chair: Mr Mancini has requested that time and I thought it was favourable with the government and with

the official opposition. I take it the third party could wind up agreeing also.

Mr Tilson: Mr Chairman, quite the contrary: I spoke to Mr Mancini earlier today on this subject and he agreed that the Liberal caucus will require additional time to prepare and analyse the suggestions that have been made by the delegations from around this province. We had a very strenuous trip last week going around this province and certainly I think we'll need time to analyse those reports, Hansards and, more importantly, the summary that's being prepared by the legislative people.

The Chair: What I have, this letter—there's nothing here stating that there's another change to be made. I think with our schedule, especially this committee, we're pretty tight with the budget coming up and we can't delay the clause-by-clause.

Mr Tilson: I can't help what the Treasurer is up to. I'm simply saying this is very important legislation and we need to study it. There's already been an impression given by this government that it's in a terrible hurry to deal with it without consultations. I know the parliamentary assistant may or may not disagree with that, but the fact is that those allegations have been made, and here we are on this committee, rushing it through. There's no need to rush this legislation through. There's no need to rush the clause-by-clause discussions through, particularly when we don't even have all the information before us.

I would ask that the committee consider delaying the clause-by-clause debate. I can't believe the government has had an opportunity to analyse all the presentations that have been made to this committee around this province.

1720

Mr Phillips: I think there's some merit in Mr Tilson's argument. First, just in terms of timing, as I understand it, Mr Chairman, the House may not be coming back on March 22. It may be delayed a week or so, so you may have some time.

The other thing is that this day we've scheduled for this week was not planned for this week. It was added, as my memory serves me, because of the passing of one of the members. I think we would have had the summary earlier had we not had the day of hearing here, I suspect.

I wonder if the subcommittee could meet and discuss whether there is a way. The sense of urgency may not be there now because the House may be delayed a week or so in coming back. That may give us a chance for a little more sober reflection, a chance to review. I don't know. The government itself may have benefited from the hearings.

Mr Owens: I have never been involved in a committee where there has been such a trail of littered subcommittee agreements that have been broken. When we initially got together, we had agreed on a process whereby we would exchange amendments on February 5. As a result of the passing of Margery Ward, we had to add an additional day. I'm not quite sure why the legislative research person is that far behind. That's not an issue for me to be concerned with. That's between him and his superiors.

Interjection.

Mr Owens: Let me finish.

Mr Tilson: You are out of line.

The Chair: Mr Owens, I—

Mr Owens: Just a second here, Chair: In terms of the request that was made by Mr Mancini in a fax date-stamped February 8, requesting that the exchange of amendments take place on February 12 at 4 o'clock, the Chair and the clerk dutifully canvassed the committee. The government side agreed. Mr Tilson had approached me earlier—I give Mr Tilson credit for doing that—indicating there would be some difficulty in his party in terms of producing amendments by whatever date was agreed to.

The problem is that we have an agreement that was reached by the three House leaders with respect to time. The pre-budget consultations that have been scheduled in this committee need to go on so the people of this province can come in and make their views known in terms of the budget preparation. Mr Phillips, I know you have a great interest in that process. My recommendation is that we receive the amendments on the 12th as agreed to.

The Chair: Let me put it this way: As Chair, I'll rule that 4 pm on Friday, the 12th, will be the deadline unless the subcommittee comes up with a choice other than that. We will be meeting in room 1 from 1 to 5 starting on Monday and from 10 to 12 and 2 to 5 on Tuesday, Wednesday and Thursday for clause-by-clause.

Mrs Caplan: A point of order, Mr Chairman, on your ruling: From my experience, there's never been a deadline on when amendments can be tabled. They can be tabled even as the committee is going through clause-by-clause. I would ask that you show us what rule and what rule book you're basing your judgement on. It seems to me it's beyond the power of the Chairman to determine when there will be amendments received.

The Chair: I guess you're correct on that.

Mrs Caplan: Amendments can be put at any time. You can request that they be in by that time.

The Chair: Okay, I'll request it, so the other committee members will be able to read them.

Mrs Caplan: That's a courtesy, but it's just not proper to say there's a deadline for amendments.

The Chair: I'll agree with you on that. Is everyone satisfied now?

Mr Tilson: Mr Chairman, I'll just go on record to say that I'm not satisfied, but I realize that I'm in the minority on this committee and that the parliamentary assistant has spoken and presumably directed his colleagues to support him. It'll be very difficult for the Conservative Party to prepare amendments on Friday, when all of the information that is to be made available to this committee won't be available until Friday. It'll be next to impossible. So I will say to you that we are not all in agreement, but I understand that—

The Chair: Mr Tilson, I have to tell you that the clerk is already set up for the 22nd, 23rd, 24th, 25th and 26th, as regards presenters coming before the committee. It's a little bit of work to try to switch everything around and change all the presenters because they were contacted last week on the dates and time that they would be presenting.

Mr Tilson: What do you mean "presenting"? We're having clause-by-clause. There's no presenting.

The Chair: The following week. You can't delay anything any longer, because of the next event, dealing with the pre-budget consultations.

Mr Phillips: I understand, Chair, but when the schedule was set for the House, I think the House had planned to come back March 22. My understanding is it may be delayed a week, so I'm just saying there may be windows available that weren't before and we hadn't anticipated that the hearings would continue to this time this week.

Mr Owens: One day.

Mr Phillips: The parliamentary assistant says "one day."

Mr Owens: You must be reasonable.

The Chair: You have the floor, Mr Phillips. We're not going to talk back and forth. We're going to adjourn now and the subcommittee can meet to make any other changes; otherwise, everything is the way it is.

Mrs Caplan: Unless, of course, it isn't.

Mr Tilson: And then it could be something else.

The Chair: Thank you.

The committee adjourned at 1727.

Substitutions present / Membres remplaçants présents:

Cooper, Mike (Kitchener-Wilmot ND) for Ms Ward

Frankford, Robert (Scarborough East/-Est ND) for Mr Christopherson

Harnick, Charles (Willowdale PC) for Mr Sterling

Huget, Bob (Sarnia ND) for Mr Ward

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Christopherson

Klopp, Paul (Huron ND) for Mr Jamison

Mancini, Remo (Essex South/-Sud L) for Mr Kwinter

Owens, Stephen (Scarborough Centre ND) for Mr Sutherland

Tilson, David (Dufferin-Peel PC) for Mr Carr

Winninger, David (London South/-Sud ND) for Mr Wiseman

Also taking part / Autres participants et participantes:

Owens, Stephen, parliamentary assistant to the minister responsible for automobile insurance review

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel:

Chan, Rebecca, assistant to the clerk

McNaught, Andrew, research officer, Legislative Research Service

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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- ***Acting Chairs / Présidents suppléants:** Huget, Bob (Sarnia ND); Winingner, David (London South/-Sud ND)
- Vice-Chair / Vice-Président:** Sutherland, Kimble (Oxford ND)
- *Caplan, Elinor (Oriole L)
- Carr, Gary (Oakville South/-Sud PC)
- Christopherson, David (Hamilton Centre ND)
- Jamison, Norm (Norfolk ND)
- Kwinter, Monte (Wilson Heights L)
- *Phillips, Gerry (Scarborough-Agincourt L)
- Sterling, Norman W. (Carleton PC)
- Ward, Brad (Brantford ND)
- Wiseman, Jim (Durham West/-Ouest ND)

*In attendance / présents

(Continued overleaf)

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Legislative Assembly of Ontario

Second Intercession, 35th Parliament

Official Report of Debates (Hansard)

Monday 15 February 1993

Standing committee on finance and economic affairs

Insurance Statute Law
Amendment Act, 1993

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Lundi 15 février 1993

Comité permanent des finances et des affaires économiques

Loi de 1993 modifiant les lois
concernant les assurances



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 15 February 1993

The committee met at 1317 in committee room 1.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993 LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Chair (Mr Ron Hansen): Good afternoon. The standing committee on finance and economic affairs is meeting this week on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. If anybody's got any questions or points of order before we start proceeding with the bill on clause-by-clause—Mr Tilson.

Mr David Tilson (Dufferin-Peel): Yes, Mr Chairman, I have several questions and points of order. My question is one we seem to ask every time we meet in this room: Why are we meeting in this room? We had agreed with the resources committee, the committee that deals with OTAB—this is resources.

The Chair: No, this isn't resources, it's finance and economics.

Mr Tilson: The committee that's dealing specifically with OTAB is meeting in room 151 and we had, as I understand it, agreed initially—several weeks ago, at least—that we would continue to meet in that room. We did agree with them and finally the two subcommittees concurred and we adjourned to room 151.

Because of the interest that's been expressed in auto insurance around this province on this particular bill, Mr Chairman, we had proceeded with public presentations in room 151 and I think it would be appropriate that we continue to meet in that room.

I did take an opportunity to speak to the Chairman of that committee, Mr Kormos, and Mr Kormos indicated he personally had no objection with this committee meeting in room 151. I've also spoken to the representative from the Progressive Conservative caucus on the subcommittee, and she indicated that she had no objection to this committee meeting in room 151.

I've spoken with Mr Mancini, who I assume will be speaking on this issue as well. Mr Mancini was of the same impression I was, that we were to continue meeting in room 151. So my first question, Mr Chairman, is: Why are we meeting here instead of in 151?

The Chair: This committee, finance and economics—this is our home base in this particular room, for one thing. I did not hear any agreement that we would meet other

than those two days and, as you can remember, we were wandering the halls for a period of half an hour the one day because there had been some misinformation from one of the Chairs to the point that we were supposed to be meeting Tuesday and Thursday; then all of a sudden it changed to Wednesday, Thursday. I know the other committee is scheduled for that room. I'm going to rule that we're scheduled to meet in this room and we will remain here. It took 20 minutes that you lost—

Mr Tilson: Before you rule, Mr Chairman, could I suggest that the subcommittee has dealt with this topic in the past, and I think it would be appropriate that this committee adjourn for five or 10 minutes in order that the subcommittee can discuss this matter further.

The Chair: No, no, we're not going to—it's already 20 after—

Mr Tilson: I didn't cause that problem, Mr Chairman. I've been sitting here patiently since—

The Chair: I've been here also. We were just waiting for some other details to be cleared up—

Mr Charles Harnick (Willowdale): We were waiting for the government members.

The Chair: No, we weren't. There are the same ones here who were here before.

Mr Harnick: You sent out your bloodhounds to look for them.

The Chair: I'm sorry, I'm going to rule that we don't move to 151 and start late. We'll finish our hearings on clause-by-clause here in this room. Mr Owens?

Mr Stephen Owens (Scarborough Centre): Thank you, Chair. I'd like to apologize for the comments I made with respect to the researcher, Andrew McNaught, on Thursday last. It was not my intention to get Mr McNaught caught in the middle of the crossfire between the political parties that was going on at the time; I was merely expressing some frustration at broken subcommittee agreements. Again, I apologize for any discomfort I may have caused Mr McNaught, and Chair, I hope you'll pass those comments on to him.

The Chair: Okay. Mr Mancini, you had a point of order?

Mr Remo Mancini (Essex South): It's a new point of order and it's about where we're meeting for the rest of the week. I know you've ruled on Mr Tilson's motion that we're not going to move today, but you know, Mr Chair, you have asked me on occasion, as Chair of the public accounts committee, whenever you had something important in this committee, whether we would give up the Amethyst Room, which is home base for the public accounts committee, and on every occasion I've relented, because I agreed that what you were doing was of urgent

public importance and something that the general public should be witnessing.

This entire review of Bill 164 is the most important thing that's happening around here, and I think it's part of the government's strategy—I don't necessarily blame you personally, but I think it's part of the government's strategy—the government members, they've got their marching orders from the Premier's office to submerge what's happening in this committee.

Car insurance affects many millions of people in this province, and there are tens of thousands of people following this legislation and watching what's happening. You think you may be getting away with something by not allowing people to watch what's happening, but you're not. One way or another they're going to find out just how awful this bill is. So I want to add my request to Mr Tilson's request that the subcommittee meet at the earliest opportunity to see if we can get into room 151.

The Chair: Mr Mancini, the request to get into room 151 has come twice from Mr Phillips, and I tried to accommodate Mr Phillips because he knows we normally meet in here, but I've gone and asked you because one of the members of your caucus has requested it, and I'm glad that you're able to help one of your caucus members to get it in there.

I think it was very important that the Treasurer of Ontario, with the upcoming budget—and I think a lot of questions that Mr Phillips wanted to ask were to show the people in Ontario that the Liberal Party are doing their job as an opposition party, and so I accommodated Mr Phillips and your party to make sure that we got in there, with your agreement. I appreciate the cooperation you have given this committee in your committee room, so I'm going to rule that we are still here in room 1.

Mr Tilson: Mr Chairman, if I could speak to support Mr Mancini on his request that starting tomorrow, this committee continue to meet in room 151: The subcommittee of this committee has never met since the public hearings have concluded to discuss what procedure is going to be followed in clause-by-clause, which is going to be one of several questions that I have prior to these proceedings beginning.

I certainly don't think our caucus is aware of what procedure this committee is going to be proceeding with in the clause-by-clause debate. We have several concerns about introduction of amendments, and that topic plus the topic of where the proceedings are actually going to be conducted have never been discussed by the subcommittee. It is under the standard rules of procedure, as I understand it, that normally subcommittees meet prior to clause-by-clause to discuss what the procedure of a particular committee is going to be. There have been no meetings to date of the subcommittee, and again I request that this committee adjourn for 10 or 15 minutes in order that the subcommittee can meet to discuss this topic and a number of other topics that I have and I know Mr Mancini has with respect to the conduct of this committee.

Mr Harnick: Mr Chair, may I—

The Chair: Can I just answer Mr Tilson? The Chair has made a decision, and the thing is that the House leaders have also brought it up to the point that this is where we're meeting. It was agreed upon.

Mr Tilson: I can tell you that the House leader of the Progressive Conservative Party never agreed to that.

The Chair: So we're in the right room at the right time, and maybe what we have to do is see that we have more television cameras and more stations from Queen's Park being transmitted.

Mr Harnick: I've just been approached by Mr Valela. Mr Valela, can you stand up and identify yourself? Mr Valela was here on the Thursday night that we sat late. It's okay, Mr Valela; you can sit down now. He asked me out in the hall if I could request from the Chair that we in fact move to room 151. He points out that, as a disabled person who's keenly interested in what our deliberations here are all about, he has a great deal of difficulty getting to Queen's Park and that it would be a great convenience for disabled people to be able to see these proceedings on television, as he's been able to do the last several days because we've been in room 151. That's my first point.

My second point is, and Mr Valela's pointed this out, there is some indication that we're going to have a heavy snowfall tomorrow, and that snowfall would make it all but impossible for Mr Valela to be here. On behalf of this individual—

Mr Mancini: And thousands more.

Mr Harnick: —who's been good enough to come down here and to show that he's interested in these proceedings, on behalf of him and anyone else in his circumstances, I would ask you, as a person who's reasonable and as a person who's understanding and as a person of some sensitivity, to respect the difficulty that this man has and that many others who are interested also have and see if you can see it in your heart to move these proceedings to the Amethyst Room so Mr Valela can in a sense take part in what we're doing.

The Chair: I can tell you that Mr Valela has been at my office and has put another report in on how he feels this bill should be structured, which is filed with the clerk. I think the thing we have to take a look at is that OTAB has to do with people who are disabled, with retraining and getting back into the workplace as one as equal to be trained and to be here in Ontario, not to be in sheltered workshops but to have a regular job beside you and me and everyone else; this is the importance. I take a look at OTAB being broadcast around the province. I don't know whether you're challenging the Chair here a little bit on it.

Mr Harnick: Hardly.

The Chair: I know you're not, but I just don't want it to be looked upon that way.

Mr Mancini: God forbid we ever challenge the Chair.

The Chair: On Tuesday we recessed from here and marched down there because there was no one in room 151. It took 20 minutes until they warmed the cameras up and everything else, and I was very patient to the point that

a lot of our presenters were behind. I'm going to go to Mr Owens here.

Mr Harnick: Can I finish this off, Mr Chair?

The Chair: Okay, then I'll go to Mr Owens.

Mr Harnick: You've attempted to put me in the translation booth. You've attempted to put me in a corner of the room.

Mr Tilson: Or all four corners.

Mr Harnick: Or all four corners of the room, probably at the same time; far be it from me to challenge the Chair. But Mr Chairman, with respect, I think you've made a mistake. I refer you to standing order 124, which states:

"Following the election of a Chair and Vice-Chair at its first meeting in each session, a standing committee shall appoint a subcommittee on committee business, consisting of the Chair of the standing committee as Chair and one member from each of the recognized parties on the committee, to meet from time to time at the call of the Chair or at the request of any member thereof and to report to the committee on the business of the committee."

I think, Mr Chair—and I know you'll want to go back and correct the record—there's been a request by my colleague Mr Tilson that the subcommittee meet. These standing orders say that this must happen at the request of any member of the subcommittee, and Mr Tilson is a member of that committee. He's made that request. I know you don't want to be in violation of the standing orders, so it would be most appropriate that we adjourn now pending the meeting of the subcommittee which Mr Tilson has requested. I know you may not like that.

1330

The Chair: You're debating my decision—

Mr Harnick: No, I'm not debating. I'm reading—

The Chair: —as the Chair here.

Mr Harnick: Excuse me, sir. I'm not debating.

The Chair: I'm listening, but—

Mr Tilson: He's making a point of order.

Mr Harnick: I'm making a point of order, and I'm referring you to standing order 124. Quite frankly, the ruling you have made—

The Chair: But the—

Mr Harnick: Just let me finish, please. The ruling you have made was probably in error because the standing order had not been placed before you. Now the standing order is being placed before you. Now that you are aware of it, as the so-called trier of the issues in this committee, I don't think you have any choice but to reconsider the decision you've made. That doesn't mean necessarily that we're going to be moving to room 151 or any other place. It just means that a member has requested a subcommittee meeting. Any member may do that and you must provide a subcommittee meeting. Rather than argue about it, let's adjourn and have the subcommittee meeting.

The Chair: No. I will not adjourn now, because the agenda's already been set for this committee. The subcommittee has been involved with the meeting on when we're

set up, the number of weeks, the witnesses that were coming forward. That's already been done. So we're not going back and rehash—

Mr Tilson: Point of order: We have never discussed the procedure of clause-by-clause debate. We've never discussed that once, and that's what I'm asking, that the subcommittee meet to discuss that process. What I want is an idea of which direction we're going in.

The Chair: Okay, what I suggest is we go clause by clause and section by section.

Mr Harnick: How can you ignore the standing orders?

Mr Tilson: Who's going to say? Are you just unilaterally declaring how we're going to conduct these proceedings?

Interjection.

The Chair: I've got Mr Owens here.

Mr Harnick: Mr Owens, how can you ignore the—

The Chair: Mr Owens has the floor.

Mr Owens: I've suddenly been laterally transferred to the Chair's position.

Mr Harnick: I'm glad you said laterally.

Mr Owens: Yes. In terms of the subcommittee issue, I have no objection if we meet at the end of the day, but I don't believe that we should adjourn at this point. Secondly, if the members Mr Tilson and Mr Harnick want to discuss issues of clause-by-clause, we're certainly willing to entertain those discussions, but in terms of reviewing a decision that has been made by the Chair with respect to room 151, that would not, in my view, be on the agenda.

Mr Mancini: Is this a mutual admiration society up here or something? You're opposing what's written in the standing orders. Don't you understand that? You've got to go according to the standing orders. It's not a mutual admiration society we're attending here. We don't know how to proceed with these 70-some amendments because we've never talked about it.

The Chair: I don't recognize Mr Mancini. Put your hand up. You've got a point of order?

Mr Mancini: Yes, I do.

The Chair: Okay. Mr Mancini.

Mr Mancini: Thank you, Mr Chair. You know, this is not a mutual admiration society where you and other government members back each other up as to what you want to do. We need to sit down as a subcommittee and decide how we're going to deal with the 70-some amendments I'm told we have. That's all we're requesting. We can't go to room 151 today; we know that. We've asked you to consider making a request for the rest of the week. That hasn't been dealt with in subcommittee. We haven't talked about these things.

The Chair: The Chair has dealt with it.

Mr Mancini: You've got to go according to the standing orders. That's all we're asking you to do.

The Chair: We had an agenda already.

Mr Tilson: You're not going by the standing orders.

The Chair: We had an agenda already, so let's carry on.

Mr Tilson: But you're bound by the standing orders.

Mr Mancini: Whether you like it or not, whether Mr Owens likes it or not, the standing orders prevail over the opinions of the government members. That's why we have standing orders, so that they can be followed.

Mr Harnick: On a point of order: I move that we adjourn for one half-hour so that the subcommittee can meet.

Mr Mancini: I support it.

Interjections.

Mr Mancini: Mr Chairman, I ask for a recorded vote on Mr Harnick's motion.

The Chair: We have a recorded vote.

Mr Harnick: No, I would like 20 minutes so we can caucus this.

The Chair: All those in favour—

Mr Harnick: We're entitled to 20 minutes.

Mr Mancini: We want 20 minutes.

The Chair: Twenty minutes?

Mr Mancini: That's part of the standing orders.

Mr Harnick: Mr Chairman, you cannot proceed in a manner other than the standing orders state.

The Chair: Fine. We'll have a 20-minute recess.

Mr Harnick: That's in the standing orders.

Interjections.

The Chair: I've got a few people talking at the same time. It's hard for the Chair to hear.

Mr Harnick: Chairman, you cannot proceed in this committee except in accordance with the standing orders. That's why we have this little grey book, and I'd recommend during the 20 minutes that you read it.

The Chair: Fine. We'll have a 20-minute recess.

The committee recessed at 1336 and resumed at 1358.

The Chair: Our 20 minutes are up. Mr Owens.

Mr Owens: I'd like to be able to ask the mover of the motion—Mr Harnick, if you're listening—if you would agree to a 20-minute subcommittee meeting rather than 30 minutes, as we've already been out 20 minutes.

Mr Harnick: I don't have a problem with that. If the subcommittee wants to meet and it can do its work in 20 minutes, I don't think that's a problem. It's no problem with me, but perhaps you should canvass the members of the subcommittee.

Mr Owens: There is a motion on the floor and I was asking for an amendment to the motion, if you are agreeable to it.

Mr Harnick: I don't have a problem, on the assumption that it's realistic timing in terms of the discussions.

Mr Steven W. Mahoney (Mississauga West): The motion is 30 minutes, the amendment is 20.

The Chair: Mr Mancini, do you agree with 20 minutes?

Mr Mancini: Yes. We start at two?

The Chair: We'll start at two o'clock. What room can we go into?

Mr Mahoney: We can go into 151. It's empty.

The Chair: Room 110. We're adjourned until 2:20.

The committee recessed at 1359 and resumed at 1434.

The Chair: We'll resume the hearings on Bill 164. The subcommittee has just met and come to an agreement on a series of issues. We seem to be all in agreement at this particular time, not that everybody's totally in agreement with everything, but as gentlemen, we all compromised our positions. I'd like to carry on, if we can start clause-by-clause, section 1 of the bill. Any comments or discussion on section 1? Mr Mancini.

Mr Mancini: My comments are basically general comments, in that we don't think Bill 164 is the route the government should take. Based on the evidence the committee has heard—and the evidence only, Mr Chair; this is not something we're making up, it's not politics, it's not personal preferences, it's not whether we like the minister or whether we don't like the minister or whether we think he's capable or not capable or doing a good job or not doing a good job—we think the government is moving too quickly.

We don't think the people who made presentations to this committee have in fact been heard by the government. I know we talked about it earlier on, and I just wonder, for the record, if the parliamentary assistant could tell us why we're in such a hurry to get Bill 164 passed when there's no constituency for the bill, or a very small constituency indeed; there are a great many groups that are outraged at the bill.

The regulations are still, to this day, not understandable to litigation lawyers, to industry professionals, to members of this committee. I defy any member of the committee to stand up and say they understand the regulations that we're all going to be voting on. I defy anybody. Stand up and say that you know what the regulations mean and that you understand them. No one has stood up, so I take it they don't understand it. None of us understand these regs. If the insurance pros and the litigation lawyers don't understand the regs, we don't understand them.

The reason I make these comments here at the opening of the discussion of section 1 is that this is the most appropriate time for us to really consider what we want to do. Do we want to make good law or do we want to make haste? Do we want to protect the consumers who have to buy automobile insurance or do we just want to pass a piece of legislation so that we can say we pass legislation? Do we want to be able to strengthen the insurance industry in this province, which has thousands of employees and pays millions of dollars in taxes, or do we just want to pass legislation? After the legislation is passed, as we all know, we can't make it retroactive to look after those people we may have harmed in passing this law.

So my comment to you and to the parliamentary assistant is, why is it so absolutely necessary that we make such haste for such a complicated piece of legislation when there does not appear to be a constituency compelling the government to move quickly—maybe thoughtfully, but not

quickly? Is there any particular reason why we're moving in this regard, without all due consideration to the things that I've mentioned?

Mr Owens: I'd like to thank the member for his question. Needless to say, we have a different view of what the definition of haste means. In terms of how the government has proceeded, we made a decision by caucus on September 6, 1991, not to proceed with public auto insurance. So prior to that, we had already had a year of looking at the insurance industry and getting to have an understanding of the industry as only a government can have. So, as I say, on September 6, 1991, the decision was made not to proceed with public auto.

We have since 1991 been working with the insurance industry, have been consulting with various groups across the province and have come up with what, in our view, is a good piece of legislation. We listened carefully when the insurance companies of this province said, "Don't go with public auto." I had many deputations in my office from individuals employed by the insurance industry and they pleaded with me not to proceed with public auto. Taking all that into consideration, it was the view that we shouldn't proceed.

So, again, in terms of the process that has taken place and continues to take place, as Mr Mancini indicates, the regulation is currently in draft form and that simply means that there is perhaps some tightening up that needs to be done. It was our view that the regulation needs to be directive in order to take into consideration as many different scenarios as possible to make access to benefits for victims as easy as possible. I don't think any insurance company is going to send out simply an unintelligible piece of paper to its consumers. It's not in the business interests of the insurance companies to do that.

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I think that in terms of the work that still needs to be done, we have clearly listened to the deputations with respect to road safety and graduated licensing and we are working through the processes with respect to those two issues.

In terms of groups that are out there, groups like ARCH—the Advocacy Resource Centre for the Handicapped is clearly a group that has come out and indicated that the changes that need to be made to the OMPP are indeed critical. It's certainly the view of rehabilitation groups that dispossessing people after \$500,000 of care is not an appropriate way for victims to be treated.

So in conclusion, I would say that the government has moved forward with some thought and some purpose in its deliberations. We are continuing to consult. We have set up the task force to take a look at the \$3,000-a-month attendant care cap. The Ministry of Health is looking at standards of rehabilitation that need to be put into place in order to ensure the highest efficacy of care for accident victims. These processes will continue as we move through this piece of legislation. These are issues that are germane to the regulation. All groups, consumers, legal advisers and insurance companies will still have an opportunity to have

input into the regulation, even while the clause-by-clause continues and certainly when it concludes.

The Chair: Mr Tilson, some opening remarks?

Mr Tilson: There are opening remarks, as well as a comment just on the—you've asked us to comment with respect to section 1, which deals with, obviously, the definition sections and principles of regulations.

The whole subject of regulations, of course, has been one that both parties in the opposition have asked questions on and which delegations have come forward on from all walks of life and all connections of the industry. No one seems to be able to understand these regulations. The insurance industry has made it quite clear that rates are going to skyrocket. I know the debate has gone on: Is it going to be 4%? Is it going to be 10%? Is it going to be as high as 25%, taking into consideration that it is being suggested that without this bill rates are already going to go up for various reasons? It troubles us. I guess I get back to the issue Mr Mancini raised. Already there was a story in one of the papers last week of *Economical*, I think it was. You know, there are some job layoffs. Now, it may not be connected to—

Mr Mancini: Co-op.

Mr Tilson: I'm sorry?

Mr Harnick: Co-operators.

Mr Tilson: I've been corrected as Co-operators. It doesn't really matter. The point is that there's a lot of genuine fear in the insurance industry. No one has expressed interest in supporting this bill, or very few, if any, have expressed an interest. In fact, who'd ever believe that the lawyers and the insurance companies would be on the same side on this issue? That's what this bill has—

Interjection.

Mr Tilson: I'll tell you, that's what this bill has in fact done. I mean, the two protagonists of Bill 68—it's rather an astounding feat. I think that because of these guarantees—either there are going to be tremendous increases in the insurance industry because of the benefits that are being suggested in the regulations—and we're starting right off in section 1—or Mr Charlton, the minister responsible for auto insurance, has made it quite clear that rates aren't going to go up, so he's going to do something.

He's going to do something either under the bill, which gives the right to the cabinet to freeze the rates, or the insurance commission. Directives, in any event, can come forward. If that happens, I don't know what the insurance companies are going to do, because they're making it quite clear, from facts that they've put forward, that they simply won't be able to operate. So we're going to have a crisis, and I guess that's the position of everyone who has come forward.

Heaven knows our party and your party, when you were in opposition, rammed at the Liberals constantly as to how terrible OMPP was. We spent hours. Mr Kormos spent all kinds of time. In fact, people still haven't forgotten all that.

Mr Mancini: He sure did.

Mr Mahoney: Now you know how wrong you were.

Mr Tilson: I guess the issue is that it's a matter of creating a third system. We're now on the threshold, to use a play on words, of creating yet a third system that's going to go through the courts. Do you really think—and I don't mean you, Mr Chairman; I'm directing my comments through you to other members of the committee—that this piece of legislation isn't going to be challenged in the courts in all kinds of different ways? Do we really think that? Of course it is.

We're going to start defining what is over \$15,000, what is under \$15,000, is this correct, is that correct, aside from all the adversarial litigation that's going to occur with respect to battles that are going to go on between the innocent accident victim and the insurance company, because it's going to be tight for the insurance companies to operate. They're going to say, "Well, there's a benefit here that's covered and there's not a benefit here that's covered." There seem to be all kinds of vague mechanisms to protect the innocent accident victim.

There are all kinds of things that I think this government could do before it proceeds with this legislation. This committee has been challenged over and over. Delegation after delegation has talked about the graduated licensing, and I know Mr Pouliot is working on that. He's indicated that he's working on it, but I don't know when it's going to come forward.

There needs to be more time spent on Bill 38, but that's another area. There may be some changes that could be made to the Highway Traffic Act. There are all kinds of non-insurance matters where the insurance companies have said that if you implement just graduated licensing alone, studies show, I believe it's in New Zealand—and I can be corrected, but I understand that when they introduced graduated licensing, fatalities were reduced by 25%. The studies were taken after the introduction of graduated licensing.

So you look at making it safer to drive on the roads; that's one thing. The second thing we're looking at, of course, is the whole issue of costing. We've been guaranteed that costing's going to go up.

So I guess I'm echoing Mr Mancini's request to the government members that they just sit back a little bit and listen to some of the comments that have been made that perhaps we have some more feasibility studies as to the whole issue of costing.

Are the insurance companies dead wrong? Is the insurance commission going to have to hire all kinds of staff to debate what the heck these regulations mean as to benefits? Is there going to have to be another public defender system or advocacy system devised to replace the necessity of advising the innocent accident victim? What is all that going to cost? What's it going to cost the insurance company? What's it going to cost the government? What's it going to cost the consumer?

There are all kinds of unanswered questions—the whole issue of the task force, the task force that's going on now. The parliamentary assistant has indicated privately and publicly that the report will be coming back at the end of April—I don't know what that means; that could mean the end of March, and I'm trying to be fair because generally

things are late around here—but in any event the task force that's going to report back to us on a number of matters. They could be matters that are going to affect the operation of this bill.

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I hope a system's going to be devised, but if you're going to insist on putting forward this bill, I will tell you, the Progressive Conservative Party will be fighting tooth and nail to the end. We don't have the votes, unfortunately; you do. But you are hopefully reasonable people. We did watch you fight OMPP and we agreed with you when you fought OMPP, but you seem to have reversed your position. You seem to have now—this is an unbelievable flip-flop. It's very discouraging to members of the public to watch what you are doing to this province on the subject of auto insurance. People trusted you and I will say they don't know what to believe. I'm asked questions as to what these regulations mean. Are insurance rates really going to go up and are we going to be covered? I don't know; nor do you.

I'm asking, notwithstanding the parliamentary assistant's answer, that further consideration be taken to step back and listen to the public presentations that are made to this committee on all of these issues. The subject of the amendments—even down to as late as last week the government amendments were presented to my office somewhere between 4 and 5 o'clock. I understand you've got difficult—again, Mr Chairman, I mean the government has difficulty in putting forward this thing. It's a very complicated bill. Everyone is admitting it's difficult to understand.

The fact of the matter is I haven't even had a proper time to sit down with Mr Harnick and review, let alone other members of my caucus, to canvas other members of my caucus as to what your amendments are, let alone our own amendments. I have filed one amendment this afternoon and that's the only one I've had an opportunity to review with Mr Harnick and other members of my caucus. The whole process is a continuous rush, rush, rush when we have all of these other matters we need to step back and deal with.

I again ask the parliamentary assistant to speak to the minister, and hopefully he will take a long hard look at delaying the continuation of these proceedings. This committee could even adjourn, and if you insisted on proceeding with the bill, clause-by-clause could be dealt with at a later date after the minister has had an opportunity to review some of the very serious submissions that have been made by delegations to this committee.

The Chair: Thank you, Mr Tilson. Mr Harnick, if you can add some more to your friend's—

Mr Harnick: A great deal, Mr Chairman.

The Chair: I didn't think there was much more left.

Mr Harnick: I've got reams of things I want to tell you about, if I may.

The Chair: You may tell the Chair.

Mr Harnick: It has been a very interesting couple of weeks while we listened to the representations from the

various witnesses who came before this committee as we met in Toronto and across the province.

I might tell you that, just as an aside, those couple of weeks had their amusing moments which tend to even carry on into today's proceedings. I notice today that there are no less than seven or eight bureaucrats and political people here, all being paid for by the good taxpayers of the province of Ontario. I notice as well that there's always a constant flurry of activity on the government's side where binders are being handed out, explanation papers are being given to the various members and the various members are given their scripts as to what questions to ask and what to say to the witnesses.

I've watched this flurry of activity and I wish I could say, Mr Chairman, that the people of Ontario were getting to watch this as well, but we've been precluded from room 151 for reasons of your own, I'm sure. We have had some opportunity to be in that room and the people of the province have been able to see the goings-on here. It fascinates me that with all the bureaucrats and political people here to help the government members to frame their questions, if this was really a good piece of legislation it would be simple, it would be straightforward and the good members of the government wouldn't need all of this expertise to lead them along hand by hand, inch by inch and step by step.

What I point out to you, Mr Chairman, is quite simply, how are the consumers of the province, those who have to purchase automobile insurance, going to function without these eight or nine bureaucrats there to advise them every step of the way? Here are the experts, the people who have lived with this legislation, the five or six government members who have all become expert because they've had these eight or nine people tutoring them. They've become experts and yet they still need that tutoring and they still need those binders because they can't understand the 68 pages of regulations. I certainly can't understand the 68 pages of regulations.

If this Bill 164 and the regulations that go with it become law, you're asking the consumers, who have to deal with the purchasing of insurance, to deal with the insurers to get the benefits they're entitled to, if indeed they're involved unfortunately in an accident. How are they going to do that without these eight or nine bureaucrats and the press secretary to put the right spin on it; when they're having their difficulties, to be told, "It's not so bad. Everybody likes this legislation"? How are these poor individuals going to deal with this? There are 68 pages of regulations.

Mr Chairman, it's so bizarre when you read those regulations. At one point it says: "My God, if you don't fall under this area of disability but you fall under that area of disability and you have a loss of earning capacity, you as the insured can choose A, B, C or D. Take your pick." If you can't decide, the insurer's supposed to give you the one that's most economically beneficial. That's what the legislation says. How anybody can support anything as outright stupid as that legislation is beyond me. It is absolutely beyond me.

It's interesting, we've had a number of people who have described this legislation as setting up a scenario of David and Goliath. Every time the poor insured person has to deal with the policy, he's going to need some advice. We all know the insurers are either (a) going to understand this themselves, and I doubt that, or (b) going to hire lawyers who are going to be paid big-time money to become expert at it.

Carrying on with the David and Goliath scenario, each and every time an insured person has to deal with the policy as contained in the 68 pages of regulations, there will not be a biblical ending to his dealing with 68 pages of regulations and having to go head to head with an insurance company.

Unless these regulations become simplified, understandable and not multiple-choice, as they are, no one's going to be able to deal with them. The insurance industry is not going to be able to deal with them, the insureds are not going to be able to deal with them. What you are going to have down the line is an insurance crisis much greater than the insurance crisis that got us to this point in the first place.

The Chair: Mr Harnick, you said we've got eight bureaucrats sitting here and they're waiting to get on with the clause-by-clause. They're here to answer any questions you may have.

Mr Mancini: We've heard from Mr Endicott.

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The Chair: We're going to clause-by-clause. Maybe as the Chair, I wound up saying that if you've got some opening remarks—

Mr Harnick: Excuse me, I have the floor and I'm entitled—

The Chair: I have the floor also, to say to get back to the clause-by-clause on section 1.

Mr Tilson: We're talking about benefits.

Mr Harnick: I'm going to talk about this whole bill, sir. Everything I say is going to be relevant. You can muzzle me like you've tried to muzzle Mr Kormos and Mr Drainville—

The Chair: I'm sorry, that's a difference of opinion. I recognized Mr Kormos when he—

Mr Harnick: That may be a difference of opinion, but as a member of this committee, I, as much as anyone else, am entitled to speak and I am now speaking on the bill. You asked for opening remarks and I'm giving you my opening remarks.

The Chair: The Chair is a little impatient to the point—

Mr Harnick: Well, then—

The Chair: The impatient part is people scurrying around here; I didn't see that. You were painting a picture that wasn't even in this room.

Mr Harnick: Mr Chair, again, I'll use—

Mr Mancini: You don't have the right to make editorial comments on the member's remarks.

Mr Harnick: I'll use your expression: We have a difference of opinion on that. If you could please—

The Chair: Just a minute, I've got a point of order here.

Mr Owens: On a point of order, Mr Chair: The Chair has been respectful in terms of allowing some latitude around the opening statements. There was no agreement for opening statements—

Mr Harnick: That's right and I'm making my remarks.

Mr Owens: May I finish my point, please? In terms of the comments that are being made, it would be nice if at some point the member for Willowdale could touch on the bill and precisely—

Mr Harnick: I was just about to do that.

Mr Owens: —section 1, which is under discussion at this point.

The Chair: Mr Harnick, I'll listen again.

Mr Harnick: I'm getting to clause 1(1)(a), and I know that Ms Mathysen is interested in this.

Mr Mancini: She knows about the regs.

Mr Tilson: Yes, she knows all about them, all right.

Mr Harnick: Mrs Mathysen knows all about the regulations.

The Chair: Mr Mancini, Mr Harnick has the floor.

Mr Mahoney: You interrupted him. Why can't Remo?

Mr Mancini: I just want to acknowledge that Mrs Mathysen is an expert on the 68 pages of regulations.

The Chair: Carry on, Mr Harnick.

Mr Mahoney: You don't have a right to interrupt people speaking.

Mr Mancini: As are Mr Klopp and Mr Johnson and Ms Haeck. They're all experts on 68 pages of regulations.

Mr Harnick: What I want to deal with first is subsection 1(1), which deals with "striking out 'no-fault benefits' and 'no-fault benefit' wherever those expressions occur and substituting in each case 'statutory accident benefits.'" I gather that's what you want me to deal with.

The Chair: That's correct.

Mr Harnick: Let me first start by dealing with the whole concept of accident benefits. In early 1970 we had a standard form auto policy that didn't provide any accident benefits—

The Chair: Just a minute. Mr Mancini.

Mr Mancini: Mr Chairman, I think your instructions to Mr Harnick, with all due respect, were not correct. I, as the critic for the Liberal caucus, took a few short moments to make some general comments on the legislation, because when we initially started more than an hour ago that did not take place. Mr Tilson did the same thing and I assumed that Mr Harnick was going to be bolstering Mr Tilson's argument.

Mr Harnick: I can do that too.

Mr Mancini: Which he did.

The Chair: Wait a minute. Mr Mancini has the floor.

Mr Mancini: Which he did, until you told him, with the aid of the parliamentary assistant, that he shouldn't be doing that any longer. Now we're talking specifically about the words that appear—not about the concept of the legislation, but about the words that appear—in section 1. I believe that Mr Harnick should have been allowed to continue his discourse; you, as Chair, said he was not allowed to do that, along with the encouragement from the parliamentary assistant.

My colleague Mr Mahoney was waiting for Mr Harnick to be able to finish the discourse which he, in my view, should have been able to finish. However, if your instruction to Mr Harnick, based on the advice you received from the parliamentary assistant, is that he can't and we're going to get right to the words in section 1, I would dutifully ask you, Mr Chair, to allow Mr Mahoney to make the opening comments that he wanted to make on a special section of the legislation and the issues which are important in this bill that I had specifically left for him. Unless we allow that, we're not proceeding properly.

The Chair: There's a point of order with Mr Owens.

Mr Owens: Chair, this thing is getting way out of hand.

Mr Mancini: It's not out of hand.

Mr Owens: In terms of—

Mr Mancini: You shouldn't be the parliamentary assistant, you should be the Chair. You're always telling the Chair what to do.

Mr Owens: Would you stop being so rude?

The Chair: I'm sorry, Mr Mancini, he is not telling the Chair.

Mr Mancini: He does. He tells you what to do all the time.

Mr Owens: May I have the floor?

Mr Mancini: He's always coaching you and it's very disruptive to the proceedings of this committee.

The Chair: I recognize Mr Mahoney. As soon as Mr Harnick was finished I was going to go to Mr Mahoney. I'm sorry, but Mr Mahoney didn't have his hand up after you were speaking, Mr Mancini.

Mr Owens: Chair, with respect—

Mr Harnick: Can I have the floor back so I can continue my statement?

Mr Owens: No. I'm on a point of order and I'm going to finish it; I was interrupted. Mr Chair, with respect, first, there was no agreement with respect to opening statements by the three parties. Second, when an opening statement is made—

Mr Mancini: It's in the standing orders.

Mr Owens: May I complete my point of order, Mr Mancini?

Mr Mancini: No, because what he is saying is in the standing orders.

The Chair: Let him finish and you can comment after.

Mr Mancini: The record will show that he's saying what's in the standing orders.

The Chair: Mr Mancini, we talk about muzzling here, but you're not allowing him to get his point of order out. Go ahead, Mr Owens.

Mr Owens: In terms of the opening statements, in any committee that I've been sitting on, the critics, not all and sundry—maybe Mr Mancini and Mr Harnick would like to canvass the audience as well for their particular comments on this bill. We're way beyond anything that is reasonable and I suggest that we move back to clause-by-clause, the purpose for which we're here today.

Mr Mancini: I want Mr Valela to come forward.

Mr Mahoney: Mr Chairman.

The Chair: You've got a point of order, Mr Mahoney?

Mr Mahoney: I have a question that perhaps you could help me with. In the five or six years that I've been around here, it has always been my understanding that when a committee is finished with its public hearings and gets down to the point where it's doing clause-by-clause, the actual line-by-line, clause-by-clause discussions are preceded by opening remarks from members of the committee, led by the critic of each party. The parliamentary assistant is correct in that, but certainly not to the exclusion of other members, of the two parties in opposition.

I was tied up at a meeting, but I had this on upstairs. I listened to Mr Mancini's remarks, and I came down quite prepared to make some remarks of my own, along with my critic, and put concerns that I have on the record on behalf of the people I represent and on behalf of my party.

The Chair: Okay; I will come back to you.

Mr Mahoney: I assume that in a democratic process we would all be allowed to do that. What's happening is what Mr Mancini is saying, you're directing Mr Harnick to start at clause 1(1)(a). I didn't think we were there yet.

The Chair: The discussion on section 1.

Mr Mahoney: Are we not having opening preliminary remarks?

Mr Owens: There is no standing order.

Mr Harnick: I'm quite prepared to proceed by way of opening remarks or proceed by way of remarks on section 1. If you could tell me what you'd like me to do, I can carry on.

The Chair: The clerk here just gave me standing order 78: "When a bill is considered in a committee, the Chair shall inquire whether any comments, questions or amendments are to be offered and to which sections and will call only such sections. If no sections are so designated, the bill shall be reported as a whole." I called out section 1.

Mr Mancini: But you asked for comments, and that's exactly what we were doing.

The Chair: Were there any comments or questions on section 1?

Mr Harnick: May I carry on, then, in that vein of discussing section 1?

The Chair: Yes.

Mr Harnick: Thank you. At any rate, as I—

Mr Mancini: You're not allowed. Mr Mahoney is speaking.

Mr Harnick: I started out saying that in the early 1970s, we didn't have a concept in Ontario of accident benefits or no-fault benefits or statutory accident benefits. We merely had a tort system, often referred to by the likes of Ms Haeck and Ms Mathysen as the roll the dice system. In the early 1970s, the system was changed and we began to develop a system of auto insurance in the province of Ontario that blended the tort system and the statutory accident benefits system.

That all occurred in the early 1970s. It might even have been the late 1960s. At that time, the accident benefits consisted of a small automatic death benefit to dependants in the event of death. It also provided for \$70 a week in terms of accident benefit payments if someone was totally disabled from the usual duties of his or her occupation. After two years, the test changed and it said that if you were still disabled, and by reason of your education and experience you couldn't get any job, you were entitled to continue receiving your \$70 a week.

In addition, the accident benefits of the day provided a small amount of money for rehabilitation and medical expenses that were incurred beyond what OHIP was prepared to pay, up to a limit.

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Around 1974 or 1975, the accident benefits schedule changed. Essentially, all the amounts of money that were available were increased, so that we saw that the accident benefit concept, as blended with tort, was becoming more accepted. The amounts were becoming more realistic for the day. The system was developing, and we were moving away from a total tort-based system.

I might add that as to when all of this began to occur, it was quite an interesting phenomenon and I know my friends on the government side will be interested in this. I see we don't have a Chairman any more. Oh, here comes Mr Cooper, certainly one of my favourite chairpersons from my experience on the justice committee.

As I was saying, the insurance industry, when we went to the statutory accident benefits schedule, was not very pleased about this. At the time, they indicated quite strongly that the idea of automatic accident benefits was going to cost the insurance industry an enormous amount of money. It was a type of system that the insurance industry initially was not very happy about.

Interestingly enough, the pendulum seems to have swung, because with the development of the Ontario motorist protection plan in 1990, the idea of an insurance scheme that was weighted more heavily in favour of accident benefits than in the concept of tort became the preferred scheme on behalf of the auto insurers. I know that most government members would be pretty interested in that history, in that turnabout, in terms of insurance company philosophy.

What happened over the years, from about the mid-1970s until the mid-1980s, was that we unfortunately continued with a scheme of accident benefits that were fixed

at \$140 a week. Again, I think the death benefit was approximately—was it \$10,000?

Interjection.

Mr Harnick: Twenty thousand?

Interjection: Probably \$10,000.

Mr Harnick: Ten thousand dollars was the death benefit, \$140 was the weekly disability benefit payment for those who were totally disabled from performing the usual functions of their job, and the maximum of \$20,000 or \$25,000 was available for rehab, and that was it.

Unfortunately, through that approximately 10-, 12- or 15-year period, the system worked relatively well except that the accident benefits were no longer at levels that were commensurate with modern day reality. Because of that, the OMPP was developed and what the OMPP essentially did was change that balance between the traditional tort liability and accident benefits.

What we had up to 1990 was a system that was very much weighted in favour of the concept of tort, and the accident benefits were the minor aspect of the system. After 1990, we really swung wildly the other way, and accident benefits became the bulk of the scheme and the tort liability became the limited aspect of the scheme. So what we've done is really a complete about-face.

It's interesting, just to digress for a moment in terms of this: I know we have our 9 or 10 bureaucrats in the room. I know Mr Endicott, who's in the room today, absented himself after the first day. I don't know where he went but he did disappear, and it was of some consternation to me that the person who was the author of the bill did not stay in the room to help guide us through some of the technical difficulties.

Ms Christel Haeck (St Catharines-Brock): Point of order, Mr Chair.

The Acting Chair (Mr Mike Cooper): Order, please. Point of order, Ms Haeck.

Ms Haeck: I am offended by this tone, and the reason I'm offended is that—

Mr Harnick: That's not a point of order.

Ms Haeck: The bureaucrats who are in this room are here because they are to provide technical assistance to all members—

Mr Harnick: That's exactly what I'm talking about.

Ms Haeck: —not only to government members—

The Acting Chair: Thank you, Ms Haeck.

Ms Haeck: —and the insulting of one of those I think is an insult to all, and we are all aware—

The Acting Chair: Thank you, Ms Haeck. You don't have a point of order.

Ms Haeck: —that our bureaucrats work hard on our behalf.

Mr Harnick: May I continue?

The Acting Chair: Mr Harnick.

Mr Harnick: Thank you. At any rate, it's disconcerting to me that the person who was very much the author of this bill has absented himself from the hearings we had

and continues to absent himself as the technical adviser to the parliamentary assistant.

Ms Haeck: Point of order, Mr Chair.

The Acting Chair: Ms Haeck, I understand what line you're going to go on.

Ms Haeck: No, actually, Mr Chair—

The Acting Chair: Mr Harnick, maybe you could keep your comments directed through the Chair.

Mr Harnick: Yes, I'm trying to do that.

Ms Haeck: Actually, Mr Chair, I would like to have a quick point of clarification here. Mr Endicott didn't write the bill. The previous Liberal government wrote the OMPP and this government—

Mr Harnick: I'm talking about Bill 164.

Ms Haeck: —through the minister and the political staff, wrote the current amendments, so I think Mr Harnick would prefer to correct his comments.

Interjections.

The Acting Chair: Thank you, Ms Haeck.

Mr Mancini: Excuse me, Mr Chairman, on a point of order: Did Ms Haeck tell the committee that ministry staff had no hand in writing the 68 pages of regulations—

The Acting Chair: Mr Mancini, that's a question, not a point of order.

Mr Mancini: —and it was Mr Owens and the minister who wrote all this, who wrote Bill 164?

Ms Haeck: Mr Chair—

The Acting Chair: Order, please. As this committee has not made allowances for opening statements, we are on section 1. Mr Harnick has the floor on section 1 and traditionally that's been the—

Mr Mancini: Now we know why it's such a mess.

The Acting Chair: It's been the opportunity where opening statements can be made and statements on the whole bill can be followed. If Mr Harnick would address his comments to the bill and not to the technical staff who are here—

Mr Harnick: I'm addressing all my comments to you, sir. I may have to mention some names of people who had a hand in this, but my comments are totally directed to you, and if anybody wants to jump in, I'm just delighted to have them.

The Acting Chair: You may proceed, Mr Harnick.

Ms Haeck: Mr Chair, I'd be happy to clarify the position Mr Harnick has just taken.

The Acting Chair: Ms Haeck, you'll have your opportunity for comments after Mr Harnick and Mr Mahoney.

Ms Haeck: Is he going to continue insulting staff?

Mr Harnick: I don't believe I've insulted anyone, but—

The Acting Chair: There have been comments made about people's attendance at the committee hearings. That's all, Ms Haeck.

Ms Haeck: I would suggest that in the past, while you were not necessarily present, some members of the

opposition have in fact insulted staff: highly inappropriate behaviour, I might suggest.

Mr Harnick: Yes, the parliamentary assistant, your own parliamentary assistant.

Ms Haeck: And he apologized, which is more than we can say for you.

Interjections.

The Acting Chair: Order, please. If I had heard any direct comments aimed at anybody, I would have stepped in, but having heard none, Mr Harnick, you have the floor.

Mr Harnick: At any rate, I—

Interjections.

Mr Harnick: It's interesting to see Ms Haeck getting involved in the debate, and I welcome that. I welcome debating auto insurance with any person in this room at any time, Mr Chairman, and if Ms Haeck—

The Chair: Mr Harnick.

Mr Harnick: Yes.

The Chair: We're hearing your problems with section 1. We're not debating it.

Mr Harnick: I know. Sir, you were out of the room for a moment. You might confer with the person who was sitting in your chair and you'll understand what was happening in here. But the interruptions were not mine, they were the interruptions of Ms Haeck, and if I can carry on with my discussion of section 1, I'd be delighted to do that.

The Chair: Go right ahead.

1520

Mr Harnick: Thank you, sir. At any rate, I've indicated who I believe wrote the bill or was primarily responsible for writing the bill. I regret the fact that that individual has absented himself from providing his technical expertise to us. I don't know why that should have occurred, but nevertheless it did.

The fact of the matter is that when we're dealing with accident benefit schedules and the concept of accident benefits and no-fault insurance and blended no-fault accident benefit schemes, it's very interesting for me to note that no one who ever had anything to do with innocent accident victims and who ever had any experience in that regard had anything to do with the writing of this bill. I think that is a very regrettable thing.

It's a very regrettable thing that people who talk about these concepts have never had any experience dealing with a family who have seen someone killed, dealing with a family who have seen the breadwinner badly injured in an automobile accident, who have seen what happens when a child is injured and can never go back to work. I recognize that people who write this stuff—and all I can call Bill 164 is "stuff" because it isn't worth the paper that it's written on—try very hard and they write what the government tells them to write and what the policy advisers tell them to write. But the fact of the matter is that none of those people has gained any firsthand experience in seeing how accident benefits and statutory accident benefit schedules

impact on the lives of victims, both innocent and at-fault victims.

I know that Ms Haeck and Ms Mathysen, who have asked repeatedly to deal with the subject that the tort system is a lottery and everything else, are concerned too about the ability of individuals to access a system that is supposed to work for the welfare and benefit of people who are injured and their families. This legislation and this accident benefits schedule—call it no-fault benefits, call it statutory accident benefits, call it anything you like—is not going to work. It just is not going to work. I know that Mr Winninger too, who has had some experience, would never have written a piece of legislation like this, because he knows that when—

Mr David Winninger (London South): That's a broad assumption.

Mr Harnick: I know Mr Winninger well, and he's a person who likes to ensure that those who have to access a system will understand it and will understand what they're getting when they pay for the system. Quite frankly, anyone who buys auto insurance in this province is not going to be able to understand what it is that they've purchased. If there's no other fundamental flaw to this legislation, that is a major fundamental flaw.

It's interesting that when we first developed schemes of statutory accident benefits or no-fault benefits—again, call them what you like—they were simple. People would purchase a policy of automobile insurance and the accident benefits schedule was part of that policy. They were given that policy and it was four or five pages long and it was understandable. It said if you were injured in an accident and were totally disabled from the usual duties and performance at your job, you could get \$140 per week. That's what it said. It said that if you, as the breadwinner in a family, were killed, your main dependant, your spouse, could get \$10,000. It said that each of your other dependants would get \$2,000.

All of that was pretty simple. It was pretty straightforward. When you had an accident, you were given a document which was maybe two pages long by your insurance company. You filled it out and it said what your name is, what your address is and where you work and when the accident occurred, and that was essentially the claimant's portion. The claimant then took the little document to his doctor. The doctor filled out a form that contained a provisional diagnosis and a provisional prognosis and it indicated when the doctor thought the person might be able to return to work. You then took that form to the employer and filled it out. It said where you were working, what your rate of pay was, whether you had any other benefits through work and when your last day at work was. That was the extent of it. It was pretty simple, it was pretty straightforward; totally the opposite of this piece of legislation.

I will grant you, Mr Chairman, that when we went through the next stage of automobile insurance evolution we went to the Ontario motorist protection plan. As I stated earlier, that was a plan in which the changed philosophy of the insurance industry was seen. We went from an insurance

industry that initially believed in a total tort system and was frightened to death of the concept of accident benefits to an insurance industry that wanted to jettison the idea of tort in favour of a total or nearly total accident benefit system. Yet the OMPP was not overly complicated. It was more complicated than what we had before, but it was not an overly complicated system of accident benefits. It was a system that essentially, in terms of the accident benefit portion, raised the amounts of money that were being provided under the accident benefit coverage it replaced and raised those benefits to levels that were realistic for the day.

The Chair: Mr Harnick, a lot of your comments are on other sections of the bill we haven't even got to. You're going to be out of steam by the time you get to the other sections.

Mr Harnick: No, sir.

The Chair: I know Mr Mahoney is hoping to have a few comments on section 1. I find you are going beyond section 1.

Mr Harnick: Out of the corner of my eye I see Mr Mahoney making some fairly extensive notes and I'm going to be really interested in hearing his response to my remarks. I think he's pretty interested because I see him writing these notes. He's not laughing at me at any rate, as some people in the room are, but that's their prerogative. May I continue?

The Chair: Who was laughing at you? I will bring them to order.

Mr Mahoney: Steve Owens.

Mr Owens: Get out of here.

Mr Mahoney: I just saw you.

The Chair: Mr Harnick, carry on with section 1.

Mr Harnick: If I have my way, I'm happy just to have everybody jump in whenever they want.

The Chair: Go ahead. Now you've got everybody laughing in here.

Mr Harnick: It wasn't intentional.

The Chair: You've got the Chair laughing too. Carry on, Charles.

Mr Mahoney: Have you ever had this much fun?

Mr Harnick: It's not often I make the Chairman laugh. Usually you're going to put me in the corner, so it's a pleasure to see you laughing.

The Chair: I'm laughing with you.

Mr Harnick: I appreciate that.

Mr Winninger: You're auditioning at Yuk Yuk's.

Mr Harnick: I'd probably make more money than I'm making here.

Mr Owens: I thought that's why you still went to court on a daily basis.

Mr Harnick: No, you can't do that to make jokes, because the chairman in the court is much more strict than the Chairman here.

The Chair: Carry on, Mr Harnick.

1530

Mr Harnick: At any rate, as I was saying before my friends jumped in, the benefits under the OMPP are much more realistic than the benefits we had earlier. We've gone from \$140 a week to \$600 a week. People could have purchased extra coverage to take them to \$1,000 a week, and that much more reflects the kind of income levels that are realistic for the 1990s.

I'm quite in favour of the accident benefit aspects of the OMPP, because they do reflect reality of the day. I'm not in favour of some of the other aspects of OMPP and I know that the Chairman will give me an opportunity when the time comes to speak about those. But the accident benefit portions are realistic and I find it very interesting that when we're having an opportunity to talk about no-fault benefits or accident benefits or whatever you want to call them, there have not been a lot of difficulties in terms of people accessing the Ontario motorist protection plan in terms of accident benefits. The benefits have been paid and if they're not paid, there's a system of mediation and arbitration or, in the alternative, access to the courts.

I know that the government members perk up their ears when they hear the words "access to the courts." Believe it or not, people do go to the courts to get their accident benefits because there are times—and I know that my friends are interested in this—when insurance companies don't pay and the claimant oftentimes has to resort to some form of adversarial process to get the insurance company to pay.

Mr Tilson: They're going to use the advocacy system; that's what they're going to do.

Mr Harnick: I know there are those people in this room who don't believe in those kinds of things because they think that money should just fall out of the sky, but every now and then a claimant has to make a claim because he has a difference of opinion with the insurance company. The insurance company may say, "We don't think you're totally injured, that you're totally disabled." So we have a system that provides people with the alternative of going to court, or they can go to mediation and arbitration at the Ontario Insurance Commission, and that's what's happening. But by and large, the OMPP has been a workable system, and granted, as I told you, Mr Chair, I'm not 100% in favour of that system. There are alterations that should be made, but the accident benefits aspect of that system is by and large a good system.

The Chair: Are you in favour of section 1?

Mr Harnick: I'm getting to that. I can't get to that until I've made all the remarks. I don't want anyone to go away from here confused about what statutory accident benefits mean. Unless we review the history of statutory accident benefits in this province, which no one has bothered to do because we haven't had any kind of a technical briefing on the clause-by-clause that we're now going through—I've just taken it upon myself, out of the goodness of my heart—

The Chair: I'm sorry, but we do have the technical staff here for any questions.

Mr Harnick: How many do we have here today?

Mr Owens: What's the point?

The Chair: Do you want someone to answer the question?

Mr Harnick: Do you want me to make my speech or do you want to keep interrupting me?

The Chair: I would say, Mr Harnick, that there are people here to answer. You addressed the Chair and said that you're explaining it because it hasn't been explained to you by the technical staff, and I say they're here.

Mr Harnick: You see, sir, at the end of this—

Mr Mancini: Who are these people?

Mr Harnick: Remo, hold on. At the end of this little debate, you're going to ask us who's in favour of section 1 and who's opposed. Correct?

The Chair: Correct.

Mr Harnick: I am trying to put enough on the record so that my good friends, particularly my good friends across the floor here, understand what statutory accident benefits are because I want them to be able to vote in a certain way and I am trying to explain to them what I believe accident benefits are, be they statutory no-fault benefits or accident benefits or statutory accident benefits. I want them to understand so that when you call the question, they're going to vote in a way that I'm going to be pleased with because I have explained it to them and they believe me.

Mr Harnick: Mr Harnick, don't you think that if you were asking that question to one of the technical staff, they might believe a little bit more, that they were right up to speed on it?

Mr Mahoney: Are you questioning Mr Harnick's credibility?

Mr Tilson: I believe Mr Harnick.

Mr Harnick: I'm not pulling your leg.

The Chair: I'm not saying I don't believe you. I'm just saying maybe there are a few extra points. It is a field that you need a few experts to relate. Maybe you're not right up to speed on everything that's going on.

Mr Harnick: I'm as up to speed as they are.

The Chair: Okay, carry on.

Mr Harnick: Thank you.

The Chair: We'll find out at the vote.

Mr Harnick: I hope you have all your members here. At any rate, you keep interrupting my train of thought and I have to go back to my spot.

Mr Tilson: You have to start again.

Mr Harnick: I almost have to start again now. I told you earlier that I have a very short attention span.

The Chair: When you start repeating yourself, I will mention it to you. I'm listening.

Ms Haeck: Here's a tab to mark your spot.

Mr Harnick: I don't have any spots to mark.

Ms Haeck: I thought you said you had to go back to your spot.

Mr Harnick: It's all in my head, though.

The Chair: Ms Haeck, you don't have the floor. Mr Harnick, Mr Mahoney is sitting impatiently here.

Mr Mahoney: I'm learning a lot from this.

Mr Harnick: At any rate, Mr Chair, the \$600 benefits were very realistic benefits—I think that's where I left off—much more so than the \$140 that people had been receiving by way of statutory acts and benefits or no-fault benefits or whatever you want to call them. I think that people who deal with accident victims have found that to be so.

As I was saying earlier, there are times when insurance companies and claimants disagree with one another as to whether they are entitled to access the benefits available under the Ontario motorist protection plan. That issue often is resolved on the basis of independent medical examinations and evidence gathered by insurance companies by way of surveillance. At any rate, what has to happen is that there has to be an adversarial proceeding. There has to be a proceeding either at the Ontario Insurance Commission or in a court, because sometimes insurance companies and claimants disagree on entitlement.

It's very important that everyone in this room understand that whether we call these no-fault benefits or statutory accident benefits, contrary to what the minister has told us in the Legislature, these are not paid automatically. There is often a difference of opinion, and often a legitimate difference of opinion. That is why it is very important for the claimant to be able to understand what it is that he has purchased when he pays a premium and obtains a policy of automobile insurance. The reason is that if he's, God forbid, involved in an accident, he may have a difference of opinion with his insurance company. The higher the benefits, the more likely it is that you are going to have a difference of opinion.

Let me give you an example. If under the OMPP someone is entitled to \$600 a week and he or she is entitled to that indefinitely, that works out by my calculations to just over \$30,000 annually. That is a lot of money for an insurance company to be paying out on a regular basis. It may come to pass that the insurance company might ultimately decide that this person is not totally disabled and should be back at work. Hence you've got a conflict and you have a process that is going to be beginning either by way of arbitration or by way of court proceeding.

Under the NDP plan, Bill 164, if you're fortunate enough to be a wealthier person, then 90% of your net benefits will pay you more than the 80% of your gross benefits. Therefore, you may be entitled to significantly more than \$600 a week. You might be entitled to \$800 a week, \$900 a week or maybe \$1,000 a week.

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It's important that every government member understand when we're talking about accident benefits that Bill 164 gives more money to those making larger incomes, in comparison to the OMPP, than it does to those making smaller incomes. The small-income earner is hurt by Bill 164. He receives less under Bill 164 than he does under the OMPP.

I hope that some of the government members have taken the opportunity to ask the technical people who are here, all nine, 10 or 11 of them, why low-income earners are being penalized under Bill 164 versus OMPP. I suggest that every government member in this room should be banging on the door of these technical people, asking them to change this piece of legislation so that low-income earners are not hurt as they are by this piece of legislation, because it is totally contrary to the philosophy that this party, the NDP, and this government used to have.

At any rate, that's a diversion and I don't want to digress too far from subsection 1(1). As I was saying, under the Bill 164 proposals those people who were high-income earners may end up getting more than \$600 a week. They might get up to \$1,000 a week. That'll only accrue to the high-income earners. As I said, the low-income earners are penalized under Bill 164, and that obviously is the government's intention or it wouldn't be proceeding this way.

At any rate, when you're talking benefits, sir, of \$1,000 a week, you're going to have insurance companies that are no longer paying out \$30,000 a year; they're now paying out in excess of \$50,000 a year. Insurance companies do not like to pay out \$50,000 a year indefinitely. They will make sure that they are only paying that money to a person who is disabled from performing the usual functions of his job. They will do surveillance. They will have independent medical examinations. They will make sure that the person who is receiving the \$50,000 or slightly more a year is indeed a person disabled from his job.

When we have benefits of \$50,000 a year being paid out, you can rest assured that there will be adversarial proceedings in order to maintain the level of income that someone injured has developed by way of accident benefits, statutory accident benefits or no-fault benefits. These benefits, and I can't stress this enough to the members on the government side, will not be paid automatically. They will be paid pursuant to the 68 pages of regulations, those intricate 68 pages.

People who are cut off and no longer have money to pay for the needs of their family are going to pick up that 68-page document and they're going to say: "For God's sake, what does this mean? I can't figure it out. How do I get my benefits? I can't afford the groceries next week. How am I going to pay the mortgage? How am I going to pay for my car? They've cut me off. What am I going to do to ensure that I'm going to get my benefits?" You know what they're going to have to do to get their benefits? They're going to have to go and hire a lawyer.

I know the government doesn't like lawyers. I know they would like to see every lawyer gone, but I'll tell you, the first people in this room who would run to hire a lawyer if they were injured would be the people on that side.

Mr Tilson: Just talk to Shelley Martel.

Mr Harnick: They would just run to get a lawyer as fast as they can. But at any rate—

The Chair: Mr Harnick, I'd appreciate if you stayed on here. I know most of the government members have a

mouth and they have a brain. They can talk for themselves. You don't have to talk for them.

Mr Mahoney: You want to debate that?

Mr Winninger: What, the mouth or the brain?

The Chair: Make your comments. That's your perspective, maybe, but what has this got to do with what the government's thinking? What are you thinking about this bill?

Mr Harnick: I'm trying to convey my thoughts to the members of the government so when they have the opportunity to vote on clauses 1(1), (a) and (b), they're going to do the right thing.

The Chair: I've been listening to you—

Mr Harnick: I appreciate you may not like what I'm saying, but I'm entitled to say it, and you may want to censure me, and you're probably entitled as Chairman because you carry the clout.

The Chair: I've got no problem with you talking about this bill, but just don't talk what somebody else might say.

Mr Harnick: I'm directing all my remarks to the Chair. I know that if I said something inflammatory, Ms Mathysen would be the first person to call me to task because Ms Haeck isn't in the room.

The Chair: Mr Harnick, everyone's present. Carry on.

Mr Harnick: Thank you. Now I forgot where I was again.

Mr Winninger: So what else is new?

Mr Mahoney: You've got to start over again.

Mr Harnick: Start again.

Mrs Irene Mathysen (Middlesex): Committee room 1, Charles.

The Chair: Charles, the government members can speak for themselves. You know that.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): He was talking about us getting lawyers.

Mr Harnick: Thank you. At any rate, as I was saying—

Mr Johnson: Yes, I was listening.

Mr Harnick: Right on—when you're into \$1,000 a week, \$52,000 a year, I tell you, Mr Chairman, you're into the courtroom. You're into the courtroom if there's anything marginal about that claim. You're just going to be into the courtroom or into the arbitration room up on Yonge Street, the Ontario Insurance Commission building. It's right in my riding in Willowdale, right adjacent to the North York Civic Centre. You're all going to be taking a visit up to my riding, and you're probably going to be left with a bad taste in your mouth when you leave, because the insurance company in all likelihood is going to win, because it's going to have a lawyer who understands these 68 pages of regulations and unfortunately the poor claimant, who hasn't worked, whose family depends on those \$50,000 worth of benefits, is going to show up there with some government-appointed worker adviser like they have at workers' compensation.

I remember—it sticks in my brain and it will for a long time—when Ray Rempel was here the other day representing the Ontario Head Injury Association, do you know what he said when Mr Tilson, I think it was, asked him the question about representation before the Ontario Insurance Commission? He said: “I don’t want a worker adviser advising me or my child or my family or somebody from the Ontario Head Injury Association who’s been injured in an accident. I don’t want a worker adviser-type person giving me advice; I want Bert Raphael. I want Bert Raphael because Bert Raphael’s as good as the people the insurance companies hire. That’s who I want with me and that’s who I’m entitled to. I shouldn’t be relegated to second place. I shouldn’t be relegated to second best. I want Bert Raphael. I want Bert Raphael there to fight for my statutory accident benefits, no-fault benefits or whatever it is you want to call them. I don’t want a worker adviser.”

Let me tell you something about that worker adviser concept. I don’t know if any of you people have ever gone with a constituent to the Workers’ Compensation Board, but 99% of the cases that are heard at the Workers’ Compensation Board are heard without any opposition. The claimant shows up and he has his lawyer or worker adviser, but there’s nobody challenging the claimant on the other side. Very seldom does that happen.

But when you go to the Ontario Insurance Commission or when you go to the Ontario Court of Justice to fight for that \$1,000 a week, that \$50,000 a year, you know who you have on the other side? You’ve got Harry Brown. And if you show up by yourself and Harry Brown’s on the other side, do you know what’s going to happen to you? You’re going to be wiped out before you know it.

Mr Paul Klopp (Huron): That’s quite a thing to say about him.

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Mr Harnick: And when you leave Willowdale, you’re not going to be very happy. You’re going to say, “Boy, this is the worst place in the province of Ontario to have to be,” because that’s where you had your \$50,000 a year taken away from you because you didn’t have proper representation to appear before the Ontario Insurance Commission to fight for your no-fault benefits, your accident benefits, your statutory accident benefits, whatever they’re called in subsection 1(1).

The Chair: I’m glad you got back to that.

Mr Harnick: I’m reading the words right out of the section.

The Chair: I know.

Mr Harnick: It’s going to be pretty hard for you to shut me down if I do that.

Mr Owens: Were you suggesting that Mr Brown wants to take innocent accident victims’ compensation away? Is that what you’re suggesting here today?

Mr Harnick: No, I’m not suggesting anything of the sort. Mr Brown would be hired by an insurance company—

Interjection.

Mr Harnick: The question by Mr Owens is really—

Mr Owens: Are you suggesting that Mr Brown is taking benefits away from innocent accident victims?

Mr Tilson: You keep talking.

Mr Harnick: I hope, Mr Chairman, because Mr Owens has now interrupted and you haven’t chastised him for doing that, that I’ll have the opportunity without being called out of order—

The Chair: I’m listening to you. I’m sorry you stopped talking.

Mr Tilson: On a point of order, Mr Chairman: You know, one thing is Mr Owens interrupting, which is completely out of order—

The Chair: I didn’t recognize him.

Mr Tilson: —well, he’s heckling—but it’s quite inappropriate for the Chair to interrupt Mr Harnick. I ask you with the deepest respect to remember what your position is in this committee room. You’re the Chairman of the committee.

Mr Klopp: He’s out of order.

Mr Tilson: Mr Harnick is on topic. He just very briefly referred, a few seconds ago, to clause 1(1)(a).

The Chair: I heard him.

Mr Tilson: You then took it upon yourself to interrupt him. I would submit, Mr Chairman, that you’re out of order. You must let the speaker continue.

The Chair: I am letting him.

Mr Tilson: He is in the process of debating subsection—

The Chair: I’m just reminding him to stay on the subject.

Mr Tilson: That’s exactly what he’s doing, and you’re out of order, Mr Chairman, interrupting him.

The Chair: It’s just a reminder.

Mr Harnick: Mr Chairman, quite frankly, I enjoy your interruptions and I enjoy the repartee that we can engage in periodically.

At any rate, let me go back to what Mr Owens was saying. Mr Owens was saying—and I think it’s incumbent upon me to protect Mr Brown’s reputation—that Mr Brown wants to take benefits away from innocent victims.

Mr Owens: No, no, no. That’s not what was stated.

Mr Harnick: Mr Brown is hired by an insurance company. That insurance company will hire him because he’s very good at what he does. I know that at first hand. They will hire him to protect their interests. He doesn’t want to take money away from an accident victim, but he’s doing a job for an insurance company, because the process that we have, whether you like it or not—and I say this to Mr Owens very pointedly—is an adversary process.

What you are contemplating doing is making it 100% impossible for accident victims, be they innocent or at fault, to go to that board and to protect themselves. You’ve done that by creating an act that (a) is hurtful to low-income earners and (b) is too complicated for any accident victim to have to deal with. That’s why this bill is wrong. It’s wrong because it’s too complicated. It’s too complicated and it’s indecipherable by any accident victim.

Let me tell you something else. When you're an accident victim and you're lying in bed in a hospital and you have a statute that's complicated and you have to have somebody look after things for you, I don't think it's realistic to think that a worker adviser is going to be able to help you out while you're lying in a hospital bed, while you might be unconscious in a hospital, while you might be in a hospital unable to walk. I don't think it's realistic to think that a worker adviser is going to know what to do for you.

I would again strongly advise the government to take those 68 pages of complicated regulations and make them intelligible and ensure that every accident victim will have the opportunity to go before that board with the lawyer of his choice, be able to obtain costs at the end of the day if he's successful, and proceed on a basis that is not David versus Goliath, because Goliath is going to win and when Goliath wins you're going to be—

Mr Klopp: David won, I thought.

Mr Harnick: Yes, David won in the Bible, but he ain't going to win at the Ontario Insurance Commission. When you lose, when that accident victim loses—and I know people think it's funny that the accident victim's going to lose. I don't think it's funny. There are people in this room who might think it's funny, but I don't think it's funny, but—

Interjection.

Mr Harnick: Pardon me?

The Chair: Mr Harnick, you have the floor.

Mr Mancini: Why don't you call Ms Haeck to order like you're always so anxious to—

The Chair: That's why I'm going to say, Mr Harnick, just carry on. Sometimes I don't hear on the side, left and right. I've heard you at times and I haven't mentioned you; I've just let you carry on.

Mr Harnick: Mr Chair, there's nothing wrong—

The Chair: Okay, would you carry on, Mr Harnick.

Mr Harnick: There's nothing wrong with a person who heckles and I kind of welcome it. But what really bothers me is people who heckle and don't heckle loud enough so I can hear the things they're saying. It really bothers me. It really bothers me that people sit here and pretend to know something about auto insurance and play God in terms of the kind of protection people are going to have, and then when they speak I don't have the opportunity to hear them.

The Chair: Does this have anything to do with section 1?

Mr Harnick: It has everything to do with section 1, because Bill 164, Mr Chairman, as I said earlier—and that's why it was very important for me to give you the historical background. We've gone from a system that was total tort to a system of \$70-a-week compensation by way of accident benefits. Then we went to a system that went to \$140 a week accident benefits, then we went to the OMPP which is \$600 a week maximum benefits. Now we're going to a system that is almost \$1,000 a week—accident benefits, statutory accident benefits, no-fault benefits,

whatever you'd like to describe them as—as set out in clauses 1(1)(a) or (b).

That's why this is becoming a very, very important debate, because everything victims are entitled to is found in those schedules that we're debating with gusto in terms of what we should call them. It's very important. Those concepts are what will save every accident victim, assuming they can decipher those 68 pages of regulation.

I think it's a very important debate we're having, and if people have comments I sure hope they'd speak up so I can hear them. That's why I'm going through all this so people can understand it. I don't want them to come to Willowdale and lose. I want them to come to Willowdale and say, "This insurance commission is working great and I can understand all these regulations."

I bet we could have the 10 or 12 technical people here probably tutor us individually for the next six months or a year and go through those 68 pages one section at a time, comma by comma, line by line, colon by colon, exclamation point by exclamation point, subsection by subsection. We could have a test at the end of the year after we've had individual tutoring and I'll bet you there's not one person in this room who would pass that test, because no one understands that 68-page document.

I bet you more than ever the people who would have the most difficulty understanding that are the bureaucrats who wrote it. They know that once they write it they give it away and the public has to assume it and it isn't their problem any more; it's the problem of people who are injured, be they innocent or not. The 68 pages are now dumped in their laps.

Bureaucrats don't care any more. They've done what the government asked them to do. They've prepared a 68-page document based on certain philosophies and it's not their baby any more. It's totally in the lap of the accident victim and the insurance company who sold them the policy. It's not the bureaucrats' problem any more. They just did what they were told by the government, misguided as they may be. That's what's going to happen, Mr Chair.

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The Chair: Should I go on now to Mr Mahoney?

Mr Harnick: No. I'm not finished.

The Chair: I thought you were done.

Interjection: He just stopped breathing.

Mr Harnick: I know that you want me to—

The Chair: I heard your voice was going down and it sounded like you were ending your comments.

Mr Owens: He wants us to have a hanky ready.

Mr Harnick: You know, it's interesting—Mr Owens says I want you to have a hanky ready. Well, Mr Owens should go to the hospital and see what people look like after they've been involved in an accident and then—

Mr Owens: A point of order.

The Chair: Okay, a point of order, Mr Owens.

Mr Owens: With respect, having worked in a hospital for close to 10 years—

Mr Mancini: You should know better.

Mr Owens: —I have an idea of exactly what victims look like.

Mr Tilson: Why are you putting this bill forward then? If you've seen all this stuff, how could you possibly bring this bill forward?

Mr Owens: My question through the Chair to Mr Harnick is, how does he ascertain the wishes of unconscious clients if he doesn't expect the worker advisers or whomever he may deem—

The Chair: I'm sorry. That's not a point of order.

Mr Harnick: Let me explain that then. I know Mr Owens sometimes—

The Chair: Mr Harnick, could you get back on the subject here, Bill 164?

Mr Harnick: I'm right back on it. I want to explain that concept.

The Chair: I forgot the last word you said but—

Mr Harnick: My voice was going low and I was changing topics. I was finished one and I am now moving on to another.

Mr Owens brought up a good point. He was paying attention and he brought up a good point. He said, "How can somebody who's unconscious look for protection?"

Let me tell Mr Owens something. Sometimes someone who is unconscious has a family. That unconscious person may be the breadwinner in the family and the dependants come to the hospital and they say: "My God, will he live or will she live? What are we going to do? We've got a mortgage payment due next month. We've got to pay for the car. We've got children who need clothing and food and what are we going to do?"

They're going to say: "That breadwinner, I know he had a car and he had a licence, and automobile insurance is mandatory in Ontario. He must have had a policy of automobile insurance. I know we send cheques out to that broker who's out on the Danforth. I know we send that cheque out to the broker and the broker gets the cheque and I'm sure he provides us a policy of automobile insurance. I don't know who the insurance company is but, my goodness, we must have a policy."

They go home and they root through all the papers in the little cabinet where all the valuables and the papers are and, lo and behold, they see a policy. On top it says State Farm or Allstate or Co-op or Economical or Zurich; I don't want to leave out anybody who may have appeared here as a deputant. But they see that policy and they get home and they say: "My God, somewhere in these 68 pages it might tell us what we're entitled to, but where is it and why can't we understand it? It says maybe we get this or maybe we get that or maybe we get a, b, c, d or e, but how do we understand this and what are we going to do? What are we going to do? How do we understand it? We'd better phone the broker."

The broker says, "Gee, we went to that auto insurance committee that was going all over the province and we told them we can't understand those 68 pages." They then call up the Canadian Bar Association and it says, "Gee, we went to that committee and we told them we don't under-

stand it either." They say: "Maybe you'd better phone Steve Owens. He was the parliamentary assistant. I think he's the only person in the province of Ontario who understands these 68 pages."

Then they have to get busy and find Steve Owens. He might be the only person who can advise accident victims, because I think he's going to be the only person who says he understands these 68 pages.

Mr Mahoney: Good consulting business for you.

Mr Mike Cooper (Kitchener-Wilmot): The minister understands.

Mr Harnick: Mr Cooper advises that the minister might understand it, but you know what? I don't think he understands it either, because he's getting ready to bail out as the minister. As soon as this piece of legislation is through, he's out of here. He's gone. He's history. He's going to the Management Board and he's going to be the House leader. He's no longer interested in accident victims.

Mr Owens: That's not true. You're wrong.

Mr Harnick: He's going on to greener pastures and I don't think he's going to be interested in accident victims any more.

Mr Johnson: Isn't that hearsay, Charles?

Mr Harnick: No, it's speculation. It's even worse than hearsay; it's speculation. I have a lot more I could say, but I know Mr Mahoney is going to have some very pointed remarks about section 1. I just want to read the section out loud. It says:

"1(1) The Insurance Act is amended by,

"(a) striking out 'no-fault benefits' and 'no-fault benefit' wherever those expressions occur and substituting in each case 'statutory accident benefits' and 'statutory accident benefit,' as the case may be; and

"(b) striking out 'no-fault benefits Schedule' wherever that expression occurs and substituting in each case 'statutory accident benefits schedule.'"

I think that if they had looked at the legislation that existed before this, they would have found those same expressions already there. If they hadn't tried to reinvent the wheel with Bill 164, they wouldn't have these difficulties. It's all there. It's all in the OMPP, in the accident benefit schedules. It's all written there. But they had to go out and deliberately try to do something totally different, totally unnecessary. That's why it's so important to take a look at clauses 1(1)(a) and (b) of this act, because they typify the whole balance of this bill: badly written, badly conceived, impossible to understand.

Starting at section 1, every subsequent section of this bill is going to lead us to the next insurance crisis. That's what's going to happen.

The first insurance crisis was when we had the young lad in Brampton who was badly injured and got a judgement of about \$7 million or \$8 million. That sparked the first insurance crisis. That was an insurance crisis sparked by money: a big payout and not enough premiums coming in. Money sparked that. You know what's going to spark this? Section 1 and every subsequent section to it. It is going to lead to a problem of money, because premiums are going to be more, payouts are going to be confused,

accident benefits are going to be confusing and consumers are not going to be able to handle this. That's what's going to spark the next insurance crisis.

This bill, in this section and every section that follows it, is going to lead us to the next insurance crisis. As sure as we're sitting here today, right now, I will bet anybody here that two years from now we will have more disgruntled claimants unhappy about the way this act works and what they have to pay for it. Just in time for the next election, they're going to remember that this was the way the government kept its promise to help innocent accident victims.

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Mr Mancini: It's the way they broke their promise.

Mr Harnick: Mr Mancini's quite right. They're going to remember that this is the way they broke the promise they made in September 1990. They're going to remember Bill 164 as the proof of the broken promise and they're going to hold it against this government and every member representing the government when they run in the next election.

I would strongly ask every member of this government—boy, I've spoken for so long, most of them have left the room—to go back to the minister, to the parliamentary assistant, to the technical people, and say: "Hoist this bill and start again. Bring back a bill that keeps the promise we made to the public, to the five million insured individuals in this province."

The Chair: I take it that party will bring in public auto insurance in the next election. Mr Mahoney.

Mr Mahoney: Do you want to respond to that?

Mr Harnick: On a point of order.

Mr Mancini: Put your foot in it again, Mr Chair.

Mr Harnick: I do not think it is one bit fair for the Chairman of a committee to offer editorial comment, particularly when I'm finished speaking about promises that his party broke, and impute motives to me, that that's something I said during the election. That's something the NDP said and it's something the NDP has to be reminded about every day. If the Chairman is prepared, or if that's the way he wants to play this game, and if that's the way the rules are going to be in here, that we're going to offer editorial comment, then I'm quite prepared for that.

If the Chairman does not want that to happen in this committee, I'd ask him to withdraw the last remark he made. Otherwise, I tell you, we're going to have open warfare in here. If it's editorial comment that he wants, it's editorial comment that he's going to get, and what's sauce for the goose—

The Chair: Okay. I'll withdraw the comment. Mr Mulroney.

Mrs Mathysen: Close but no cigar.

Interjection: The other guy's in Ottawa.

Interjections.

The Chair: Mahoney. I'm sorry, I—

Mr Mahoney: Well, I'm not accepting your apology on that one. I've been called a lot of things but that's got to be the lowest of the low.

Interjection: Come on, Muldoon, get going.

Mr Mahoney: I've heard you have this difficulty in remembering people's names, but here, let me turn this around for you. There it is, so when you're calling me to order as this debate goes on, you'll know who I am.

The Chair: Okay.

Mr Mahoney: Thank you very much, Mr Chairman, for the opportunity to make a few brief comments about this bill. I would tell you that while you've withdrawn the remarks you made about Mr Harnick and his party bringing in public auto insurance, it is rather disconcerting, I say with respect, to have those kinds of editorial comments made. Perhaps it was simply made in jest, because the one good thing about Bill 164 is that it is not public auto insurance, because that would have been a disaster.

It's fascinating to see people like Mel Swart and Peter Kormos coming into this committee expressing their concern on behalf of the rank and file members of the New Democratic Party at the number of flip-flops that have occurred since you folks took office. I would say that the flip-flops have been primarily made and led by the Premier. I'm sure many of you go back to your ridings and have difficulty explaining this.

The Chair: Mr Mahoney, would you get to section 1?

Mr Mahoney: Yes. I'm sure you have a great deal of difficulty explaining it, but the one thing about this bill is that people can get angry at you flip-flopping on public auto insurance, but really, I thank you for making that change because public auto insurance would have been a greater disaster than this.

Now, having paid you that compliment, if you want to take it in those terms, I want to discuss clause 1(1)(a). I think that Mr Harnick made a lot of really very good points about defining statutory accident benefits, the confusion in the document and trying to clarify it.

I want to add just before I make those comments, though, that I particularly appreciate having the opportunity to do this because I was able to fill in on this committee, you'll recall, only on one other occasion in Ottawa, but I have been following it, and as a result, it's a little bit like looking at it from the outside. It's a little bit like having a member of the public's perspective on what's going on in the committee.

The public looks at what was, in my view, originally improperly labelled no-fault insurance as something that says everybody's just going to have all their costs taken care of and the actual fault will not be assessed, and we know that's not true. We know that there is always fault assessed.

Mr Owens: Responsibility.

Mr Mahoney: "Responsibility" is a good word. The parliamentary assistant helps me. We know that's important, and that alone is perhaps a reason for changing some of the terminology, which is what clause 1(1)(a) does. It

changes the terminology from "no-fault benefits" to "statutory accident benefits."

I think it's important to understand that what the public became used to calling no-fault insurance is what we, when we were in government and during the committee hearings, consistently referred to as the Ontario motorist protection plan and not no-fault. We consistently did that because we wanted people to understand that we felt there would be savings, that there would be benefits both to the consumer and to the industry; no question about that.

This misguided notion that insurance is anything other than a product is something I've always found interesting. I happen to be a registered broker in the insurance industry, although not active, so I have some understanding of the business. This notion that somebody should provide insurance coverage without a view, towards at the end of the day, of the company making a profit is an interesting notion. It's one that your party, Mr Chairman, held dear for some time, until, of course, you got into government, and that's why people like Kormos and Mel Swart are so upset, because they see the way you've changed things around.

For anybody who sells a product, there's a cost to producing that product. If you take a look at your accident benefits and if you take a look at the cost of producing the schedule, what your claims were—it's referred to as "the experience" in the industry—that people have incurred during their time insured with that particular company, they then have to reflect that back. They say, "We've brought in \$1,000 in insurance premiums and we've paid out \$20,000 in benefits," or to fix automobiles or whatever. It's not really that mysterious.

The Ontario motorist protection plan attempted to reduce some of those costs. Mr Harnick referred to the fact that people don't seem to like lawyers until they need them. Reference was made to the Brampton incident. I happened to be a member of council in the region of Peel in the city of Mississauga in those days, and the Brampton incident threw everybody into a tizzy. The one area that was identified under the Ontario motorist protection plan by our government that was driving insurance premiums, that drove the costs in the insurance industry dramatically, was the legal fees that were charged on various cases.

Of the \$7-million award that was granted to that young man in Brampton and his family, the vast majority would have gone to legal fees. A lot of it would have gone to taking the income the individual was being awarded in the form of lost financial benefits and what they refer to in the business as grossing it up. They grossed it up to pay taxes. Can you imagine? They grossed it up to pay income taxes because they felt that over the period of time that would be something this individual would have to pay.

Very little of the \$7 million in total went to the actual victim, and that was seen as being wrong. It was something that was cooked up between the lawyers on both sides of the issue trying to settle the thing. Then the appeal took place. Here was this youngster with a record-setting settlement. The appeal took place, and I am told, although I must confess I don't have the exact figures, that the \$7 million was reduced to something in the neighbourhood of \$100,000: absolutely outrageous.

This boy was rendered a paraplegic. His whole life ahead of him was dramatically changed. There was some responsibility laid at the feet of Brampton for not having better signage posted, and yet now this youngster is left with minimal damages, minimal compensation. Who benefited? At the end of the day, the people who benefited the most were indeed the lawyers.

I'm not bashing the lawyers because they did a job and in the original case they did a tremendous job in getting such a substantial settlement for that young, injured victim. But then the system takes over and the appeal takes place and when the appeal takes place, more lawyers' fees are charged. At the end of the day there were millions of dollars in legal costs attached to a case that was an extremely tragic incident, and it threw the entire insurance industry, as Hazel would say in those days, tipsy. Everyone was panicking and all of a sudden coverage couldn't be acquired.

We couldn't get coverage in those days—I was chairman of the recreation and parks committee—for the volunteers who coached in sports and who worked in community organizations, for the people who worked in service clubs. We couldn't get the coverage. It wasn't how much did you have to pay for it; they simply refused to provide it. We wound up, as a municipality, self-insuring many of our own volunteers and the people who were working in areas where we had some jurisdiction.

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But this created this crisis and what's so fascinating about this is that the crisis that created it, the \$7-million award, wound up, on appeal, being less than \$100,000 for the victim, and you shake your head and you go, "What in the world was the crisis about in the first place?"

The people who have truly suffered out of all of this are actually the consumers of insurance of all types, whether it's corporations, municipalities, drivers, young people, seniors. They're the ones who have actually suffered. Then the insurance companies come back, and there were many accusations made during the debate on OMPP by Mr Kormos and members of your party and by the third party, which now defends the OMPP with, I think, great accuracy. I enjoyed the comments that—

Interjection.

Mr Mahoney: That's what I've heard and I recognize that this is only my second day in this committee, so there may have been other days when you were less than charitable to the former Liberal government. I would find that hard to believe, but it is possible.

But I did hear Mr Harnick defending in his discussion of clause 1(1)(a) the benefits package, the difference between gross and net, suggesting that the OMPP benefits package was substantially better. The ability under the OMPP to sue will be gone with Bill 164, the ability to sue for economic loss, albeit with certain conditions and a certain threshold. It's really rather incredible.

I've read through some of the documentation of the additional items that were handed in today for the purposes of this and many of them make reference to this bill taking away the ability to sue for economic loss, eliminating it

altogether. I know you want to keep me on this topic of clause 1(1)(a), but I just suggest to you that the issue of no-fault, in parenthesis, versus some bureaucratic setup of statutory accident benefits, I think is really fundamental to the entire bill, to the whole issue.

What I thought should have been clause 1(1)(a) in this bill would have been a commitment by this government to activate the road safety agency, which I believe is sitting on somebody's shelf somewhere, titled Bill 39, talking about road safety. That should have been clause 1(1)(a), not adjusting the definitions and the benefits and putting in the bureaucratese. With this clause 1(1)(a), what your bill will do is create another subculture industry of consultants who will have to explain to everybody; they've already gone through that with the OMPP.

By the way, I'm one member of the former Liberal government who was not 100% happy with the OMPP and suggested to your minister in a speech in the Legislature about a year and a half ago that what you should do, and this is prior to Bill 164—instead of going to a public auto insurance plan, which is what we were all fearful of at that time, what you should do is to take the Ontario motorist protection plan and tinker with it if you must and make some changes to it if you must, but analyse it and recognize that it has created savings and it has eliminated a lot of heartache; it has not solved all the problems. There were problems in relationship to small business that needed to be addressed that were not addressed in the OMPP.

It's interesting when you see even brokers coming before this committee and saying they're not happy and people from my own fraternity saying they're not happy. A broker would sit there and say, "You know, if they create enough of an uproar, then this is going to mean that people are going to change their brokers, because they're going to be unhappy with the insurance company because we all know, I have heard no one dispute the fact, that insurance premiums are going to rise with this bill."

When they rise, all of sudden people start doing what we refer to as going to market. They go out to market and they go to different companies and they go to different brokers, and if a broker is sharp and aggressive every time the government comes in with some amendment or some change to the Insurance Act, then that broker can in turn pick up new clients, and lawyers will pick up new clients as a result of changes in this. Many of them have spoken about that.

Yet even though brokers recognize that they can in fact perhaps personally benefit from such uncertainty in the insurance industry—because they don't set the prices; they simply are what the term implies. They broker between the client and the insurance company, so they don't set the prices and they could benefit from some of these changes, but even the brokers are coming forward and saying: "Why don't you implement the road safety agency? Why don't you adopt the graduated licensing proposal?"

Do you know that in Germany, a country known for one thing, the autobahn and the lack of speed limits, the driving age is 18 and the drinking age is 14? I had a wonderful experience of taking a hockey team of 14-year-olds over to Germany and they went in and found out they

could get a McBeer with their McDonald's. It was quite a—

The Chair: No smoking though.

Mr Mahoney: No smoking, but they can have a beer with their Big Mac. It's quite a challenge. So they allow the kids in Germany to drink from 14 to 18. Their philosophy is, "We'll get this out of their system before we put them behind the wheel of a weapon such as an automobile." I don't know. Interesting philosophy. Why don't we look at some of those experiences?

My experience, having three boys, 17, 20 and 22, all of whom started driving at the age of 16, was that generally speaking, if they are taught properly in the beginning—and that should never be by a parent; it should be by a school—16-year-olds are actually very good drivers for the most part. They have quick reflexes and they're able to react quickly to difficulties on the road.

I'm not saying that we should increase that age necessarily, but clearly we all saw the terrible tragedy of the teenagers who were killed just a week or so ago. I'm not one who would lay the blame for that terrible tragedy at the feet of the government, although I have heard others do that because of its inability to move on the graduated licence. I think all of us legislators would probably agree that a graduated licensing program could have avoided that accident, or at least—you never know, because kids may do it anyway. But I think it's a step that certainly the insurance broker fraternity, the legal fraternity, the insurance companies, everyone agrees that we should be seriously looking at graduated licensing.

I don't understand why my good friend your minister is being so slow on this. I know, and some of you will recall, the accomplishment of Bill 92 that I think you can all share in, which was my private member's bill. You saw how quickly that went through the Legislature to stop young people from gambling on professional sports. Why can't we move that quickly on saving young people from killing themselves in automobile accidents?

Really, why can't we put the partisanship aside and get a bill like that forward into the Legislature and stop saying, "We're looking at it, we're looking at it"? Let's look at it in public. Let's look at it in this committee. Let's look at it in relationship to Bill 164 and say, is there something we can legitimately do instead of getting into—and the folks, I'm sure, who suffer through these hearings and the speeches—you hear it all the time—get upset at the bickering that goes on.

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Why can't we take something like we did in Bill 92 and say, "This is a good idea"? If some of you in the government don't think it's a good idea or some of us in opposition don't think it's a good idea, I think we owe it to our young people and their parents to tell them that.

Section 1 of this bill should not be tinkering with whether you call it no-fault benefits or statutory accident benefits. Section 1 of this bill should be to bring in the road safety agency, to put it in place. It should be to adopt a form of graduated licensing that allows our young people to learn over a longer period of time through testing and

through upgrading and through working with the agencies that currently provide driver education.

You will know that insurance companies give discounts to people who pass the Young Drivers of Canada test. As a result of doing that, you can save several hundred dollars on a young person's insurance premiums. We should expand that. We should be prepared to give them perhaps discounts as they show a safe driving record on six-month intervals. We should be perhaps prepared to give them discounts when they're away at university.

I have my two oldest sons at university. If I take them off the insurance policies which cost me a lot of money, then the only place they will be able to get insurance when they go into the real world on their own will be the Facility. An insurance company will not take them if I cut them off my insurance, and I have to pay a couple of thousand dollars a year to insure three young drivers. I am a consumer, in that sense, the same as anyone else.

I say to the insurance company: "But two of my boys are away eight months of the year or whatever it is and at university and are not driving a vehicle. Why do I have to keep them on the policy? It makes no sense to me. Why could I not put them on a special rider so that when they come home and do use the vehicle with my permission, they're covered?" The insurance company says, "You can do that, but if you do that, when your son gets a job and goes into the work world and buys a vehicle, he will only be able to get insurance coverage through the Facility," and we know how expensive the Facility is.

I think that's wrong. Why don't you in this bill address an issue like that, to say to the insurance companies—

Mr Owens: We did.

Mr Mahoney: Well, you haven't, according to all of the documentation I have been reading, addressed it to the satisfaction that will ensure young people can get insurance while having what you would call a broken record, a period of time where they're not insured.

You could do road safety. You could do graduated licence. You could do interrupted insurance. You could do a number of things that would make it better for the consumer who has to deal in the very difficult world of insurance instead of simply saying, "Let's blame the insurance companies." The insurance companies have a product. They're in business to make money. Why shouldn't they be?

Even though this is socialist Ontario, you still have to be able to make money. You still have to be able to generate profits, economic growth. Even Bob Rae seems to understand that, as he's gone further to the right on some issues than Attila the Hun or than my colleagues to my left even, if you can imagine.

There are things you could do that would be constructive. I suggest you would get all-party agreement to fast-track the road safety agency. You would get all-party agreement to fast-track a debate at least on graduated licensing. We should be talking to the young people out there.

Nobody wants to take away their ability to go to work. My own kids always have worked and they have to get to

work, whatever. They have to get to hockey or whatever it is they're doing. Mom and dad are always too busy, so they have to get there somehow. The public transit, at least in Mississauga, is perhaps not quite expanded to the degree where they're able to jump on a streetcar, so they need a car. As a result they need insurance. You haven't addressed those things.

Let me tell you about road conditions. Instead of concentrating on whether "no-fault" should be changed to "statutory accident benefit schedule," you want to talk about Highway 403. Many of you may have read about some of the terrible, tragic accidents that have occurred on Highway 403. From Mavis Road to about Winston Churchill, I would say, is the route. It's the section of highway where there have been some 50 accidents every year. It's known as "death row." There have been people who have gone over into the Credit River in their cars. There's been a terrible loss of life. Many of those people who have been killed lived in my community, and it has been a very, very difficult situation. Instead of worrying about changing "no-fault" to "statutory accident" benefits, why doesn't your minister, the Honourable Mr Pouliot, do something about repairing Highway 403?

This is something as well where if we had better roads, perhaps insurance premiums could go down because we'd have fewer accidents. I would say if there's one thing every member of this Legislature would agree upon, and the reason we are wasting all of this time and taxpayers' money on insurance is because at the end of the day we would like to be able to save the consumer some money. We'd like to be able to see a system that would reduce or at the very least stabilize insurance premiums. The OMPP did that. It brought some stability to a market that was all over the place. You will recall the days when David Peterson allowed some increases, put a freeze on, then allowed some increases, to much howling by opposition members opposite. That was simply a recognition that the insurance industry is a business like anything else and they have costs going up, and inflation in those days was 7%, 8% or 9%. You can't just ignore those problems. You can't just legislate them out of business, because when you do that you legislate thousands of jobs—mostly women, by the way, in the insurance industry—out of existence.

What we really want to do, and this brings out my point on Highway 403, on that very sad section of road, is we want to reduce premiums. Well, how do you reduce the cost of a product? An insurance policy is a product; you have to pay for it. How do you reduce the cost? You reduce the cost by reducing the amount of claim that is paid out by the insurer. Very simple. It's not magical. It's not mysterious. Unlike this bill and some of the other things, it's not very difficult. Everybody can understand it. A brand-new 16-year-old driver understands that he or she pays a certain amount of money out and if they have an accident they pay that money out so that the car gets fixed or they get fixed, or whatever happens. That's what drives your premiums.

Safe roads might reduce accidents. I think they would. If having safe roads reduces accidents, then it would seem to me it would reduce claims. If you reduce claims, you

reduce premiums. You see, we can accomplish what we all want to accomplish with just a little bit of common sense and put the effort and the money, instead of wasting it—there's been substantial reference to the staff who have to sit through these hearings and do all of this work. Let them work on some things that need to be fixed. Let them work on improving the sections of the OMPP that need to be improved and let's get on with fixing our roads and helping our young people learn how to drive better.

Let's discuss the issue, because many of the benefits that would be paid out under clause 1(1)(a) will in many cases be paid to seniors. There's a group of ophthalmologists who believe that over a certain age—which exists now, but it should be done more regularly and at a younger age—eye testing should be mandatory for seniors who are driving. I have some experience with this, having a history of glaucoma in my own family. The difficulties of living with that and the treatment that's required and the problems that can occur with someone with either something as serious as glaucoma or even with cataracts, even with problems of that nature—eyes are obviously pretty important to be a safe driver. You need reaction time and you need to be—and we should be testing. Society should be testing people to find out if indeed they need perhaps some remedial training. Perhaps they need some assistance, whatever. There are so many things we could do.

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I mentioned Highway 403, Mr Chairman. I had a lady call me, talking about this insurance bill, as a matter of fact. I drive the 403 a lot, probably every day, maybe only, I don't know, four or five times a week. She said: "Have you noticed how many things are in the air, flying, pieces of the highway?" I thought, you know, come on, pieces of the highway are not flying around in the air. And all of a sudden I realized. I've got a couple of chips in the windshield. I wonder where they came from. I was driving the highway just last night and I noticed something bang into my window. That highway, that death row, Highway 403, is disintegrating, literally, right before our eyes, and we're not doing anything.

She made the claim, and asked me to bring this to the attention of the minister, that many of the accidents that occur, could it be that someone has to swerve suddenly? The trucks that drive on that highway create ruts like you wouldn't believe. You've really got to be paying attention. It's wide open. It's just conducive to being a speedway, and the road is being beaten up on a regular daily basis.

That's a section of highway in Ontario that I'm particularly familiar with, but down in Windsor I'm sure Highway 401 is very dangerous. I know as you go through London there are some very serious problems. Now, there is some work being done there. I know that and I appreciate that.

Mr Winninger: Yes, \$40 million worth.

Mr Mahoney: But what I'm saying is, why have we zeroed in—because we have a couple of NDP cabinet ministers from London?—on that section of 401 and they're not building 416 in Ottawa? They're not widening that to four lanes. They're not improving Highway 403, where we

have quantified—we've got bodies in the ground as a result of Highway 403. We don't need to study it.

The Chair: Mr Mahoney.

Mr Mahoney: I know. I'm coming back to this. I apologize for getting off, but I think it relates.

The Chair: If you could get back to that section in here. I know you're getting carried away, and we're all listening.

Mr Tilson: Right on topic.

Mr Mahoney: Thank you. I think it is on topic, because the issue in clause 1(1)(a), I've given you four or five suggestions on what you could call 1(1)(a) instead of this one, which just tinkers with definitions and tries to confuse the public as to what they're going to get. I would ask you to go to your caucus and to raise these issues, even though I know the Premier doesn't want to call the Legislature back until, when, April or May, perhaps?

Mr Mancini: June 1, I think.

Mr Mahoney: June 1. He can't afford any more resignations or scandals, so I guess we're not going to get a chance to really do the work that needs to be done on behalf of the public in the Legislature. I can see I'm making some members of the public yawn. I'll try not to do that.

Mr Winninger: It's not the first time.

Mr Mahoney: No, it's not the first time, actually; it happens regularly. But that doesn't stop me.

But I've given you several examples: The German experience, where they license kids to drive at 18; the graduated licence experience, where you've got brokers, insurance companies, lawyers, parents, teachers, everybody saying you've got to go to this kind of program to stop the carnage on our highways.

I've talked about the road safety agency. I don't even know what's in that agency—maybe the critic knows better than I—except that it talks about road safety, and all of the proposals I've seen coming forward have indeed talked about road safety. That's all I heard in Ottawa, other than Mr Kormos bashing the government on a fairly regular basis, which must have been somewhat disquieting and embarrassing for members of the government caucus, to have one whom I know they care for so deeply ripping the government apart. Anyway, all I heard was that.

I didn't hear people coming forward and saying, "Well, we'd like you to change the words 'no-fault benefits' to 'statutory accident benefits schedule.'" I didn't hear anybody requesting that. I didn't hear that clause 1(1)(a) being something people in the industry or the public or those coming forward were talking about. I heard them saying—you know the old thing; I've heard it said for years, "If it ain't broke, don't fix it"?

The OMPP ain't broke, folks. It's got some problems. It's got some tinkering that can improve it, just like any legislation would have, but it ain't broke. You're throwing out the baby with the bathwater, taking away the right to sue for economic loss.

Just think about this. Here's a letter from Jim Flaherty of Whitby, Ontario. He says: "I'm writing to express my opposition to Bill 164. It is unfair to take away the right of

innocent accident victims to recover full economic loss. Why should the innocent victim of a car accident be victimized by your proposed legislation when a victim of other kinds of negligence is not? Please do not take this step, which has never been taken anywhere else in the world, civilized or uncivilized. Do not take away the futures of injured persons."

It's interesting that you would take away the right to sue. At least in the OMPP we put definitions and thresholds in place. We said if it's permanent and serious—what would be permanent or serious to one person might be different. Under these benefits in clause 1(1)(a), which the parliamentary assistant wants me to get back to—

Mr Owens: No. I'm asking for a copy of the letter.

Mr Mahoney: You should have it. It's in the package. I'm just going through the material the clerk provided to me, which I thought all members would have read. I know the Liberal members certainly have read all of this.

Mr Mancini: I've even underlined certain sections.

Mr Mahoney: Sure you have. Maybe the parliamentary assistant will read that in bed tonight to try to put himself to sleep.

The reference Mr Flaherty from Whitby makes is that there is no other area in our society where you would take away the right of a person to sue another person under certain terms and conditions if that person were negligent and caused that individual some harm. Why would we do that?

This is not the province of Quebec. If you want to be an elected representative in the province of Quebec, maybe you should move there. This is the province of Ontario. This gentleman's question is very legitimate. Why would you do it? Why should the innocent victim of a car accident be victimized by your proposed legislation? I have not heard an answer to that.

If a doctor makes a mistake and causes serious damage to a patient, that patient has a right of redress, has a right to sue for economic loss, has a right to sue for pain and suffering. It happens all the time. We have many areas where this kind of ability exists in our society.

Under the OMPP we said, "What we want to do here and what any insurance legislation or insurance act should strive to do is simply to take that innocent accident victim and put him as close as possible to the place he was in before the accident." That's what I think. You probably would agree with me that that's what we should be striving to do. We want to keep the premiums down and we want to have fairness for the victims and put them back into the place they were in before the accident occurred.

Mr Harnick: You took away the right to sue.

Mr Mahoney: That's right. Well, we didn't take it away. We put restrictions on it that said it had to be permanent and it had to be serious, because we were concerned—we talked about the case from Brampton—about the legal costs that were there.

Mr Tilson: That's taking away the right to sue. You took away the right to sue no matter how you look at it.

Mr Mahoney: Now they're going back to being the irrational people I used to know and love when they were on that side.

Mr Harnick: It was too severe.

Mr Mahoney: You can argue that. The Tories can argue that point, that it was too severe. I heard that argument from many of the men and women who practise law in my own riding who felt it was too severe.

Mr Harnick: Even the dippers used to say that.

Mr Mahoney: That's true, they did.

The Chair: Mr Harnick.

Mr Tilson: It's true though.

The Chair: Carry on.

Mr Mancini: It's another example of you calling a member of the opposition to order.

Mr Mahoney: Do you want to reprimand him while I have a drink of water?

Mr Mancini: I don't want to reprimand anybody else on the government side by name, Mr Chairman, but we're noting that.

The Chair: Mr Mahoney was very patient and very quiet when Mr Harnick was speaking. I think the courtesy should be given to Mr Mahoney also.

1650

Mr Mahoney: They're having difficulty heckling because they have to agree with just about everything I've said so far. I think that's probably the problem. Who would argue against road safety and who would argue against graduated licensing? A debate at least, a debate on that. Who would argue against fixing our roads so we stop the young people from being killed on our streets? That is something we have a chance to do something about.

Mr Harnick: I agree. He's right on.

Mr Mahoney: Mr Chairman, bear with me; it's a little bit of an aside. After we all passed Bill 92 to stop young people from gambling, I walked out of the Legislature and everyone was congratulating me and I said to someone who was there, to one of the other members—I think it was Mr Stockwell—"You know the problem with this is, this is about as good as it gets, certainly when you're in the back bench of the opposition," and that's a real sad commentary, to me.

You, sitting in the back benches of the government—

Mr Mancini: It's worse.

Mr Mahoney: It is worse; I've been there. I know how frustrating that can be when you have good ideas, when you have things that you think you can implement, and yet you can't get anybody in your own cabinet to pay attention to you. You can't even get Bob Rae to pay attention to you, and you don't have the luxury that I have where I'm able to stand up and embarrass the Premier into taking action because his kids had access to legalized gambling in the corner stores. I, at least, as a member of the opposition, had that opportunity. You could do it, but you'd wind up like Kormos; you'd be out of the—

The Chair: Mr Mahoney, could you get back on the subject, please?

Mr Mahoney: Yes, thanks. It is sort of on the subject when you think about it, though, because it's the system—what I'm saying is, instead of wasting our time and talking about whether these should be called no-fault benefits or statutory accident benefits, we should be talking about how we can change the system to allow members of the government back bench and Chairs of committees—God forbid—to actually have a right to say something without getting fired like they did to you last time you opened your mouth and said something that was very common sense in nature. What did they do? They removed you from your chair. They take away the perk. There goes the 10 grand extra dough that you get. You put it out in your newsletter, "Hey, check me out, I'm the new Chairman of the economics committee, the most powerful committee at Queen's Park." I had your job, I know, and I sent out all my letters telling folks—

The Chair: Could you get back on the subject, please? I appreciate the flattery.

Mr Mahoney: You understand what they're doing here. They say to you, "Here's what we want you to do: We want you to worry about section 1(1)(a), whether or not this should be 'no-fault benefits' or 'statutory accident benefits schedule,'" because when they get you worrying about that, you don't speak up about the things that really matter, about the things that could change the quality of life for the drivers, the brokers and even the insurance companies.

You represent—whether you like it or not—the insurance companies too. You represent the men and women who work for them. If you don't represent them properly and allow them to function in the business community, what happens? They go broke. And if they go broke, the men and women lose their jobs, and if they lose their jobs, it just snowballs. All of a sudden you won't have as many union-paying members contributing to your party. It's going to affect your fund-raising abilities. So what they do is they get you offtrack, "they" being—they used to call them the Four Horsemen of the Apocalypse when they ran our government. I think there was one horseman of the Apocalypse, and I'm not sure which end of the horse he represents, but there is one person calling the shots, telling people what to do.

Mr Mancini: It's Ross McClelland.

Mr Mahoney: It's not Piper any more, is it? Whatever happened to him?

So they get you concentrating on all of this stuff that really doesn't matter; let's face it. What's going to happen to your constituents if we don't pass section 1(1)(a)? I can just hear them going: "Oh my God, I sent them to Queen's Park to represent me and they didn't pass section 1(1)(a). I don't believe it. This is just going to affect my life terribly." What would they say if you actually had the guts to introduce a private member's bill from a government backbencher legislating graduated licensing? What would they say?

Mr Tilson: You'd be in trouble. You'd be in big trouble.

Mr Mahoney: No, they wouldn't; their constituents would stand up and say: "Look at that. That member's

actually working for me, trying to save my kids and their friends from getting killed on the highways."

What would the people in communities like Mississauga say if a government member stood up and said, "We've got to spend more money fixing Highway 403, because we've got dead bodies to prove it's a terrible section of highway and it will reduce accidents, save lives and reduce premiums"? Instead, they tell you to work on clause 1(1)(a).

The Chair: Mr Mahoney, you're repeating yourself. You've already told us that.

Mr Mahoney: I'm trying to get a point across, like Mr Harnick was doing, that might influence these members in how they vote. That is really, at the end of the day, our job. We're talking about clause 1(1)(a). I'm trying to say to these folks that I was fortunate in getting the support of the Legislature on a private member's bill, and they could do the same thing; I'd support them. I'd stand up in Mississauga, which knows me not to be an NDP supporter—the folks in Mississauga, you might understand—and say: "You know what? I support that government member of the New Democratic Party because he or she had the guts, the courage to stand up and do what was right." I'm telling you right now I would do that. I would be prepared to do that.

Bring in the road safety agency. Let us have a look at the details of it. There may be some changes needed, but bring it in. Make that clause 1(1)(a) of this dumb act and maybe then we'd get something and we could stand up as opposition parties and say: "These guys are trying. We're mad at them for backing off their promises." I, for one, congratulate you for backing off on the promise to bring in public auto insurance.

Interjection.

Mr Mahoney: No, no, I think Bob Rae sort of smelled the coffee. He saw all of these people losing their jobs and he smelled the coffee.

The Chair: Mr Mahoney, you've got two minutes.

Mr Mahoney: Why? Are we leaving?

The Chair: At 5 o'clock.

Mr Mahoney: I thought I had till 6.

The Chair: And I thought that we'd get section 1 passed here.

Mr Mahoney: Mr Chairman, we could have unanimous consent to allow me to speak till 6. I think my colleagues on this side would probably agree with that.

Interjection: No.

The Chair: It's not unanimous. You're losing your two minutes.

Mr Mahoney: No unanimous consent on that? That's unfortunate, because I don't want to vote on 1(1)(a) until I at least—

Mr Hans Daigeler (Nepean): Until I've said something.

Mr Mahoney: That's exactly right. My colleague the member for Nepean hasn't had an opportunity to talk to us about Highway 416 and some of those other things, and

look at the notes that Mr Harnick said I was making during his speech. I haven't got into any of that. I haven't got into the issues that affect seniors and students and others. I've only just briefly touched the economic loss. How draconian. Can you imagine that a supposed defender of human rights—this must drive Kormos around the bend—a government that would purport to defend to the last breath the rights of victims, you would think, being social democrats—it's unbelievable. Christel, how do you go home and sleep at night?

Ms Haeck: I have no problem at all.

Mr Mancini: She probably doesn't have your standards.

Mr Mahoney: It's unbelievable that you would take away the rights of an individual to sue for economic loss. Even the heartless Liberal government that you used to bash regularly allowed for a right to sue under certain conditions, permanent and serious, and we put a handle on the premiums. How can you do this? It's just truly mind-boggling.

When Kormos stands up in committee and in the Legislature and Mel Swart, that beacon of integrity—

The Chair: I recognize Ms Haeck. A point of order?

Ms Haeck: Yes, it is a point of order and it is a small one, but it is one that I think does have some impact on these hearings. I would like to add to Mr Mahoney's comments about the kind of drinking age that is available in Europe, in Germany in particular. I do have a little information about that. At the age of 14 a teenager is required to have parental supervision before he or she can drink in public. I think that's an important note to make.

The Chair: It's not a point of order and I think it is just some clarification of Mr Mahoney. Mr Mahoney, I have to say that the clock has hit 5 o'clock. We'll adjourn until 10 o'clock tomorrow morning—and I'll make it clear so nobody gets lost in the hallways—in room 1.

The committee adjourned at 1700.

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Ward, Brad (Brantford ND)

Wiseman, Jim (Durham West/-Ouest ND)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

Cooper, Mike (Kitchener-Wilmot ND) for Mr Wiseman

Daigeler, Hans (Nepean L) for Mr Phillips

Haeck, Christel (St Catharines-Brock ND) for Ms Ward

Harnick, Charles (Willowdale PC) for Mr Sterling

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Christopherson

Klopp, Paul (Huron ND) for Mr Jamison

Mahoney, Steven W. (Mississauga West/-Ouest L) for Mr Kwinter

Mancini, Remo (Essex South/-Sud L) for Mrs Caplan

Mathysen, Irene (Middlesex ND) for Mr Ward

Owens, Stephen (Scarborough Centre ND) for Mr Sutherland

Tilson, David (Dufferin-Peel PC) for Mr Carr

Also taking part / Autres participants et participantes:

Owens, Stephen, parliamentary assistant to the minister responsible for automobile insurance review

Wininger, David (London South/-Sud ND)

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel: Beecroft, Doug, legislative counsel

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Standing committee on finance and economic affairs

Insurance Statute Law
Amendment Act, 1993

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mardi 16 février 1993

Comité permanent des finances et des affaires économiques

Loi de 1993 modifiant les lois
concernant les assurances

Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 16 February 1993

The committee met at 1007 in committee room 1.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993 LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Chair (Mr Ron Hansen): Good morning. It's day two of clause-by-clause of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. Where we finished yesterday was comments on part I, section 1. Are there any further comments?

Mr Remo Mancini (Essex South): I just want to be clear what we're doing here. The technical staff here, all the technical staff that the parliamentary assistant referred to yesterday, are they here to help us out?

Mr Stephen Owens (Scarborough Centre): Yes, sir, they're here and ready to go.

Mr Mancini: Before I make my comments, I feel I need this information. I want to ask for the logic and the reasoning behind why it was necessary to strike out the words "no-fault benefits" and "no-fault benefit" wherever those expressions occur and substituting in each case "statutory accident benefits." I want to know the thinking that took place for these changes to be proposed. Who can answer that question for me?

The Chair: Will you identify yourself too, please.

Mr Craig Simons: My name is Craig Simons and I'm a counsel for the auto insurance review.

Mr Mancini: And you work with the Ministry of Consumer and Commercial Relations?

Mr Simons: I'm a lawyer hired by the Attorney General and I'm seconded out actually to the insurance commission, but I've been helping out with the insurance review as it's been going along.

Mr Mancini: I just want to make sure I understand whom the gentleman is reporting to. So it's a group outside the ministry and outside the Ontario Insurance Commission? It's like a working group? Is that what it is?

Mr Simons: The auto insurance review?

Mr Mancini: Yes. Is that what it is?

Mr Simons: It's a group that's been responsible for this legislation.

Mr Mancini: And that's outside the Ontario Insurance Commission. It's like a working group and there's a

team of you that's been put together to draft this bill. Is that it?

Mr David Tilson (Dufferin-Peel): Mr Chairman, on a point of order: I don't want to interrupt Mr Mancini; it's just that I'm not clear who this person is. Is he a member of the ministry? Who is he?

Mr Owens: I was going to suggest that in order to take some of the mystery out of these proceedings, the ministry staff come forward and—

Mr Tilson: No. I don't want to interrupt Mr Mancini. He started to ask this gentleman some questions and I need to know who he is. I don't know who he is.

Mr Owens: He was in the process of identifying himself when you raised your point.

Mr Tilson: That's right. He did identify himself and he said where he was from, and I didn't understand all that. I'd just like that clarified.

Mr Owens: What point didn't you understand?

Mr Tilson: It appears that he's not with the Ministry of Financial Institutions, as it then was, and I'd just like to know in what capacity he is here.

Mr Simons: I'll try to demystify that for you. I'm a lawyer, and all lawyers in the Ontario government generally are hired by the Attorney General and seconded out to the various agencies and ministries. My home base is the insurance commission, but from time to time I've been asked to assist down at the auto insurance review and I've provided them with legal services.

Mr Mancini: Okay. Now this auto—

Mr Tilson: Excuse me. So you're with the Ontario Insurance Commission. Is that who you're with?

Mr Simons: That's one of my clients, but from time to time another one of my clients has been the auto insurance review.

Mr Tilson: Are you an independent—I'm sorry, Mr Mancini. I'm just trying to clarify—

Mr Mancini: Those are all of the questions I've been asking, Mr Tilson.

Mr Tilson: Well, not quite, Mr Mancini, because it hasn't been clarified exactly who his boss is. Is he an independent lawyer or who is he?

Mr Simons: I am a public servant. In terms of the auto insurance review, my boss would be the deputy minister.

Mr Tilson: Okay, thank you. Sorry, Mr Mancini.

Mr Mancini: That's okay, Mr Tilson. This auto insurance review—just so that members can understand the process; I think the process is important as well as the outcome—who would be involved on that auto insurance review? You mentioned to us that you reported to the deputy minister. Would I be correct in saying yourself and people

from Financial Institutions and the insurance commission—you had a team taken from those areas to do this, is that—

Mr Simons: Essentially, that's what happened.

Mr Mancini: How big is that team?

Mr Simons: Good question. It's not a very big team.

Mr Mancini: Approximately.

Mr Simons: There are probably no more than 20 people there.

Mr Mancini: Do you have your own offices?

Mr Simons: There are offices, yes. We're at 10 Wellesley Street East.

Mr Mancini: Okay. Why do the words "statutory accident benefits" replace "no-fault benefits"? What prompted the team to come to this conclusion?

Mr Simons: I think the main reason is that "statutory accident benefits" is a more accurate description of the nature of the benefits which are paid when you have an accident. The word "statutory" indicates they're mandated by legislation, whereas "no-fault benefits" really refer to contractual-like benefits because, in the past, no-fault benefits were part of your contract.

Mr Mancini: Thank you. That's the answer I was looking for, and the committee members, I hope, paid attention to that answer, because the gentleman is correct. The statutory accident benefits are a schedule of benefits, Mr Chair, mandated in the legislation, meaning that the no-fault benefits that might have been available to others in the past are no longer available.

Mr George Dadamo (Windsor-Sandwich): For a change.

Mr Mancini: I raise that—and I know the member for Windsor-Sandwich would be interested in knowing—because it is my belief and, I think, the belief of a number of members of this committee and certainly the belief of many of the people who made presentations to us, that the loss of the right to sue for economic loss is far greater and far more important than the statutory accident benefits that are part of the schedule of this legislation. That's the point I want to make this morning, Mr Chair.

I want to ask the members, rhetorically at least, if they remember the presentations made to us by innumerable litigation lawyers. Do the government members recall any of the briefs that were made to us with regard to taking away the right to sue for economic loss? None of them has talked about it; none of them seems to think it's very important. Not only do these concerns follow us every day of our public hearings, but they continue to follow us—I found them—by the briefs that have been submitted to the clerk since the conclusion of our public hearings and ability to take public testimony.

I refer the committee specifically to the briefs given to us by the clerk yesterday, and I've got them all in order here. I refer the committee to a letter dated February 11, 1993, from the Waterloo-Wellington Head Injury Association. This association was unable to make a verbal presentation to the committee and turned in this short, written presentation to the clerk for the committee's behalf. It's

signed by Dan William Burnett, secretary, and as I said, he represents the Waterloo-Wellington Head Injury Association, dated February 11, 1993, specifically referring to the organization's inability to accept the government's statutory accident benefits in lieu of no-fault benefits which existed under Bill 64. Let me tell you what they had to say, because I think this goes to the heart of the legislation, and I'm hoping the government members will have time to review the gentleman's documentation. It reads:

"Clearly Bill 164 favours a guaranteed income, to the possible detriment of the individual's loss of opportunity and economic freedom. We believe real lives are tragically damaged by not being able to strive to their potential."

The letter further goes on to state, Mr Chair, and I know that you've read the letter, but I want to make sure that everyone else has:

"There is not a broad government-sponsored network of specialized rehabilitation services to deal with brain-injured persons' re-entry into the workforce. This means in many communities these individuals must pay for services privately. Bill 164"—and this is the important point the gentleman is making—"effectively cuts off funding for those services by failing to allow for the recovery of economic loss."

That is one letter. It goes on to give more information, but I don't want to take the committee's time reading further, because I think the gentleman made his point in that particular letter.

I bring to the committee's attention documentation submitted to the clerk dated February 10, 1993, signed by John A. Soule, if I'm saying it correctly, of the Advocates' Society. This documentation, given to the clerk because the gentleman was unable to make a verbal presentation because we were not allotted enough time to hear from the general public—this gentleman goes on to say on page 2 of his brief—

The Chair: Mr Mancini, the clerk just notified me that he presented before the committee.

Mr Mancini: Oh, he did? I don't recall John A. Soule.

Clerk Pro Tem (Mr Franco Carrozza): The Advocates' Society appeared.

Mr Mancini: The Advocates' Society? Did Mr Soule appear?

Clerk Pro Tem: Not him, but—

Mr Mancini: Thank you. Mr Soule did not appear. I was correct in my—

Mr Charles Harnick (Willowdale): He did appear, John Soule.

Mr Mancini: Pardon? He appeared?

The Chair: He did appear. I remember the name.

Mr Harnick: It was a good brief.

Mr Mancini: Anyway, it was a good brief, as my colleague says.

Mr Harnick: A very good brief, something that the government members should re-read.

Mr Mancini: Mr Soule submits to the committee a further brief dated February 10, 1993. If we look to page 2 of Mr Soule's brief, it states:

"Of most concern to the society is the fact that Bill 164 removes from all innocent victims the ability to recover their actual economic loss over and above the benefits provided in the statutory accident benefits schedule." It goes right to the heart of section 1.

He further states: "In our submissions of January 26, 1993, the society pointed out the devastating effect this legislation would have upon significant groups of our population, including children, students, small business persons, self-employed, care givers, dependants of deceased breadwinner and those earning in excess of \$1,000 per week."

That's a lot of groups: children, students, small business persons, self-employed. Those are millions of Ontarians who are going to be adversely affected by this legislation when you substitute statutory accident benefits in place of no-fault benefits.

1020

The gentleman further goes on to state, "Our concerns included the level of benefits available to certain groups, particularly children and the family of a deceased."

I say to the government members, who could be more vulnerable than children and the family of a deceased? Who could be more vulnerable? That is why your legislation, I say to the government members, has been so highly criticized all across this province.

The gentleman further states in his brief presented to the clerk for our review, "The level of benefits payable to these two groups may well result in financial ruin to the family."

We heard other testimony by groups and individuals who came before our committee who stated time and again that the substituting of statutory benefits in place of no-fault benefits, accompanied by the loss of the right to sue for economic loss, will keep young people at or below the poverty line their entire lives if they are catastrophically injured in an automobile accident; and that families who lose the main breadwinner, whoever he or she may be, the families left behind—and it was shown to us by Nigel Gilby from London and other litigation lawyers across the province—the families of the deceased, will pay several hundreds of thousands of dollars in lost benefits for the privilege of having Bill 164 become law.

The Advocates' Society further goes on to state, and I quote again, "No other common-law jurisdiction in Canada nor any of the United States of America adopts such a harsh and cruel position on economic loss."

Mr Harnick: That's true. You're distinguishing yourselves.

Mr Mancini: This government is doing a great job in distinguishing itself.

Interjections.

The Chair: Order. Mr Mancini has the floor.

Mr Owens: Don't mislead the witnesses here.

Mr Mancini: There are no witnesses here, Mr Parliamentary Assistant.

Mr Owens: Are you suggesting that people watching this are—

Mr Mancini: There are no witnesses here.

The Chair: Mr Owens.

Mr Harnick: There's nobody watching this. You wouldn't let it go on television.

The Chair: Order.

Mr Harnick: You shut that down.

The Chair: Order. Mr Mancini, you have the floor. Ignore those comments. They're not in Hansard.

Mr Harnick: You're the king of the muzzlers. You muzzle us, you muzzle your own people.

Mr Mancini: Mr Chair, the reason there are no witnesses here today—do you remember Mr Sal Valela, who came in yesterday?

The Chair: Yes, I remember him.

Mr Mancini: He is a disabled person due to an automobile accident and he came before the committee yesterday. He visited my offices, he visited Mr Harnick, he discussed here in the committee with members of the government the difficulty he had because of his disability in driving from his home to these hearings. He begged all of us to return to room 151 so that he and thousands of other people like himself could continue to be apprised of the progress of this legislation.

When the parliamentary assistant says that there are witnesses, it's not true; there are no witnesses. The only people who can watch us today are the government bureaucrats who are here taking their marching orders from their political masters, a few political staff, the odd—or I should say, one or two people—

Mr Owens: The odd. Yes, come on.

Mr Mancini: Is there a problem with you today?

Mr Owens: No, I think the problem's with you.

The Chair: Mr Mancini, ignore the parliamentary assistant.

Mr Tilson: No, Mr Chairman, you should tell him to be quiet. You don't ignore heckling.

Mr Mancini: Especially from the government.

Mr Tilson: He's obviously having a great deal of difficulty making his presentation with Mr Owens continually interrupting.

Mr Paul Klopp (Huron): He's doing a fine job.

Mr Tilson: I'm having a lot of trouble hearing Mr Mancini. I'd like to hear what he has to say.

The Chair: Mr Mancini, you've got the floor. Continue on.

Mr Mancini: Thank you. We had a couple of people from the automobile insurance industry here, and it is patently unfair and not true for anyone on this committee to say that there are witnesses here today, because they're not here. They are not here. The witnesses are not here.

Mr Owens: What's your point?

The Chair: Mr Owens.

Mr Mancini: My point? My point is very clear.

The Chair: Mr Mancini, talk through the Chair here, please.

Mr Mancini: Mr Chair, my point is very clear. I'm going through the written submissions as they deal with section 1, to put these items on the record in the hope that some of the public might be able, if they wish—it's going to be difficult for them—at least be able to read some of the things that took place in this committee hearing, because the government members, over your objections on many occasions, Mr Chair, and certainly over the objections of the members of the opposition and many members of the public, have tried to shut down this committee from day one.

Mr Owens: That's a crock.

The Chair: Mr Owens.

Mr Mancini: And even over your objections.

Mr Owens: On a point of order, Mr Chair: The critic for the Liberal Party has accused the government of trying to shut down these hearings.

Mr Mancini: That's right. Yes.

Mr Owens: I would like to ask the member to demonstrate clearly through Hansard where the government has attempted to shut down these hearings, and when he cannot, I would suggest that he withdraw those comments. Put up or shut up.

The Chair: Mr Mancini, now maybe you can give your background.

Mr Mancini: Mr Chair, through you—

Mr Tilson: I'd like to speak to that.

Mr Mancini: Mr Chair, through you: What a stupid thing for the parliamentary assistant to say.

Mr Owens: Put up or shut up.

The Chair: Mr Owens, we don't use that type of language in here.

Mr Owens: Oh, please. He can call me stupid—

The Chair: No. I'm sorry. No, no.

Mr Mancini: I didn't call you stupid. I said what you said was silly.

The Chair: I think you should retract that, Mr Owens.

Mr Mancini: I don't care if he retracts it or not, Mr Chair. It doesn't offend me. Mr Chair, myself, Mr Tilson, Mr Harnick and you, the clerk, we've all attended meetings, haven't we? We certainly have, and hasn't it been our position from day one that we have our hearings in room 151 every single day that we in fact had public hearings?

That's been our position, that's been very clear and if it wasn't for your intervention—and we know you were politically scolded for this, Mr Chair. It was obvious that if it wasn't for your political intervention, the one afternoon that you took it upon yourself to move this committee from committee room 1 or 2—I can't recall where we were at—

The Chair: We were in 1.

Mr Mancini: —to go to 151, we would not have been aired on TV for the citizenry of Ontario to in fact see the proceedings of this committee. That's only one example.

The Chair: Mr Mancini, at that particular time the room wasn't being used and I thought it would be better for us to be down there and to be occupying it.

Mr Mancini: Mr Chair, you've made many good decisions and we know—

The Chair: Okay. Mr Owens.

Mr Tilson: Mr Chair—

The Chair: I'm sorry. I should go to Mr Tilson next because he had his hand up for a point of order.

Mr Tilson: That's right. The issue is with respect to shutting down the proceedings, Mr Chairman. I will say that Mr Mancini is perfectly correct that we have endeavoured on two issues, and the first is to make these proceedings more public. We have met resistance from the government members of this committee, particularly Mr Owens, to meeting in room 151, in fact the one day when the room was empty.

Mr Mancini: That's right.

Mr Tilson: If it hadn't been through your intervention—and I will say to all members of the opposition that your status as a Chairman increased tremendously that day, because obviously there was resistance and it was such an obvious move that we should go to that committee room. It was empty, it was not being used and the government members continued to fight us to have those meetings made more public. We met resistance after resistance with respect to the meeting in room 151.

It was my understanding from day one, Mr Chairman, that the members of a subcommittee who are now discussing OTAB have agreed several times that—

Mr Owens: Oh, that's bullshit.

The Chair: Mr Owens.

Mr Tilson: I'm sorry? What did you say?

The Chair: You have to withdraw that.

Mr Owens: Withdraw.

1030

Mr Tilson: There's no question, Mr Chairman, that the subcommittee that was meeting with OTAB had agreed that this committee should meet in 151. They felt that it would be more appropriate that these proceedings should be conducted in that particular room.

Mr Chairman, the second issue I would like to speak on is this matter of the suggestions that the government is trying to shut down the proceedings. Mr Mancini is quite right in making those allegations, because the second matter has been that I am simply not prepared to proceed with the clause-by-clause discussions.

It's been most difficult for us to meet. Obviously there was an unfortunate incident with the passing of a member of this House and one of the days was cancelled, and that was beyond everyone's control. That obviously has caused some problems with the committee hearing and that's been unfortunate.

However, because of that rescheduling, we have been unable to properly prepare for these clause-by-clause discussions. The government amendments only came to my office late in the day on Friday. There's been very little

time for us to meet with members of the Progressive Conservative caucus, and I'm sure Mr Mancini has had the same difficulty meeting with the Liberal caucus, to review the amendments that have been proposed by the government and to adequately prepare to agree or not to agree or to make further amendments. We've had simply inadequate time.

So, Mr Chairman, I will say that I think it would be more appropriate that these proceedings be delayed. We want to continue with the debate of this bill, but I think the way the government is trying to ram this down the throats of the people of this province is simply outrageous.

The Chair: I would say, Mr Tilson, that this was decided by the House leaders before we even started meeting. I have to say that the one day, the passing of one of the members of this committee delayed the report coming out from the researcher. I guess you could say that actually lost four days there, because we weren't done on a Thursday but on that following Tuesday until the completed report.

That is unfortunate, but I think we're following the direction of our House leaders on where we're meeting. We were scheduled in here. As I say, on two days, it was supposed to be a Tuesday and a Thursday that we were to meet in 151. It wound up Wednesday and Thursday and then the one Tuesday afternoon since the room wasn't being used.

But maybe one of the comments that Sal, the one witness who appeared before the committee on a Thursday night, has a hard time getting down to the hearings here and it would be better to watch it on TV, as I mentioned yesterday, there are a lot of people who are looking at OTAB who are in the same situation who are looking at getting back to employment, which could be favourable to Sal also.

Mr Tilson: Mr Chairman, I can only say that both Mr Mancini and I are looking at it from the same perspective. You, as Chair, with all due respect, have given us the impression that you simply are not even prepared to consider the subject of meeting in room 151. We had to fight even to have a subcommittee meeting on that topic, and there was very little discussion at that time.

The Chair: Mr Tilson, I thought we had that decided already at the subcommittee meeting.

Mr Tilson: Well, no, Mr Chairman, there was no agreement at the subcommittee meeting; it was the same type of decree that was given by you at the committee meeting proper and at the subcommittee meeting. It was simply a decree by you.

Mr Mancini is quite right. He's most annoyed, as am I. Both the Liberal and Conservative parties are most annoyed, particularly at the fact that it is my understanding, speaking to members of my caucus who are members of the subcommittee meeting that is discussing OTAB, that my caucus is prepared to give up that room so that this—

The Chair: Unanimously? All three?

Mr Tilson: My understanding was that there was to be a subcommittee meeting of that committee yesterday and that this topic was going to be discussed with respect to giving up room 151 so that this committee, the commit-

tee discussing auto insurance, could continue meeting in room 151, and that's why Mr Mancini and I are expressing the frustration that we are. It's simply been a decree on your part. You've made no effort. I am being critical of you, Mr Chair, because you've made no effort to meet with the Chair of that committee to see what arrangements could be made with respect to switching rooms.

The Chair: If you remember, last time we were out in the hallway for a period of time with a misunderstanding with that particular Chair.

Mr Owens: It's my—

Mr Tilson: I had spoken to Mr Kormos. Mr Kormos indicated—

The Chair: Mr Tilson, let Mr Owens have the floor for a minute.

Mr Owens: I don't want to confuse the opposition members with facts, but there were accusations made with respect to the government trying to cancel these hearings, Mr Chair. I don't know about you, but I haven't heard any evidence that in fact hearings were cancelled. I would suggest that if members of the opposition would like to read over their daily schedules and check the Hansard, they will see that we have met on a daily basis for the time prescribed. The Chair has been quite—I hate to use the word—liberal in terms of his application of the rules. I would suggest that the opposition is clearly wrong, as it is on many things.

In terms of Mr Tilson's assertion that there was an agreement with the OTAB subcommittee, I can strenuously tell you there was no agreement with the OTAB subcommittee. If you would like—we're going to spend the rest of the day here ranting and raving about this stuff—we'll march the OTAB subcommittee in here and see where in fact the agreement did lie.

Mr Tilson: I'm in agreement with that. I'm sure Mr Mancini would be in agreement with that.

Mr Owens: I can assure you there was no meeting of the subcommittee. Where you're getting the facts you're relying on, I leave that for you to tell the committee.

In terms of the government amendments being delivered to your office at 5 o'clock, sir, if you recall the discussion we had here on the last day of committee, in fact the change of the day was made at the request of Mr Mancini. The government agreed we would change the date, I believe from the 5th to the 9th, at 5 pm, and we were certainly carrying out the agreement as we saw it.

As you're aware, Mr Tilson, I had asked yourself and other members of the opposition earlier in the proceedings whether we were going to share amendments, as is the custom. While there is certainly not a standing order, there is a tradition of honour and respect among members that we share amendments.

As I indicated to you yesterday, sir, there may be amendments your party is interested in putting forward that we would find quite reasonable, and would want to give you the credit for moving those amendments. You have not given us that opportunity, other than two amendments that you floated forward yesterday. So in terms of your assertion that we are trying to ram anything down

your throat or hide anything from you, that is clearly inaccurate.

Again, in terms of the assertion that this government is trying to cancel hearings or jackboot these hearings, I would suggest that the members who have made those accusations withdraw those comments.

The Chair: I think Mr Tilson would like to reply to the parliamentary assistant. Is that correct? I cut you off and went to Mr Owens.

Mr Mancini: Is this the same point of order?

The Chair: Yes.

Mr Tilson: What do you want me to do, Mr Chairman?

The Chair: I thought you wanted the floor again. I cut you off.

Mr Klopp: Mr Chair, I really want to hear Remo, who started off this committee today—you started yesterday—talk about clause-by-clause. All this is great, wonderful time wasted. I want to hear Remo talk about section 1, explain his positions, then we'll move on to the second section, and Mr Tilson and Mr Owens can go outside and have a great time all afternoon. Let's get back to the business at hand.

The Chair: Okay, Mr Mancini. Great, Mr Klopp.

Mr Mancini: Up until a few moments ago, I was just building a case based on the testimony we heard from witnesses as to why we object to the words "no-fault benefits" being struck out and the words "statutory accident benefits" being substituted therefor. I referred to a number of written briefs that we've received since the conclusion of the public hearings. I brought approximately 80% to 90% of the briefs that were presented to us to the committee hearings today so that we could look through them and refresh our memories, so that we could hear and understand again what the witnesses had told us and how strongly the witnesses felt about certain sections of this bill.

1040

I refer the committee to the presentation that was made to us by the Brantford and District Head Injury Association. I refer the committee specifically to page 1, the bottom paragraph, where the individual making the presentation stated: "Let me elaborate. If you are a student under Bill 164, the simple message is don't drive a car. An example is a 24-year-old, female student in education in her final year, studying to be a teacher at an Ontario university."

This is a very common occurrence. This is not something that's rare in our society, unfortunately.

"She is severely injured in an auto accident and sustains a traumatic brain injury impairing her speech, short-term memory and other cognitive functions, these rendering her permanently unemployable. However, she still has bills to pay. She is living in an apartment for which she has signed a nine-month lease and she has other numerous expenses to pay. The maximum she is entitled to is \$4,000 plus \$185 a week disability benefit. If she was living outside of Toronto, this would be difficult. In a large metropolitan area, such as Toronto, this is going to be almost impossible. At this point, she will be disabled for

life without the right to sue for future economic loss. Her career prospects are ruined."

The brief further states, "Then there is the removal of the right to sue for present and future economic loss." I want the government members to know I'm quoting what the Brantford and District Head Injury Association had to say. "This is without a doubt the most draconian measure one can imagine." Draconian, the most that one can imagine. You're permanently relegating that person to poverty status for the rest of her life.

Let's look at another case as to why I don't like substituting the words "statutory accident benefits" in lieu of "no-fault benefits." Nigel Gilby, a lawyer from the London area, made a presentation to this committee. He also mentioned to the committee, and you'll recall, Mr Chairman, that he told us, that he had worked for and supported the New Democratic Party in the last provincial election, but that he certainly wasn't going to do so again because you men and women broke all your promises with regard to giving people the opportunity to sue for their economic and non-pecuniary losses.

He brought to us real life examples of what happens to families when the breadwinner, man or woman, in the family becomes a fatality in an automobile accident. He gave to us statistical information which compares the Ontario motorist protection plan to the government's Bill 164.

This was your friend, Nigel Gilby, who prepared this. It wasn't a Liberal research bureau. It wasn't Monte Kwinter, a Liberal MPP, or Remo Mancini, a Liberal MPP, or Mr Tilson, a Conservative MPP. It was your friend and supporter Nigel Gilby, and this is what he had to say regarding a comparison of OMPP benefits to Bill 164 for fatal injury of a married male, age 30 with a gross income of \$25,000. A gross income of \$25,000 is not a large income. That's about \$8, \$10 or \$11 an hour maybe in some small plant somewhere in Ontario; hardworking people trying to survive and pay their bills on \$25,000 a year.

Let me give the full illustration. Mr Gilby goes on to note for the committee that this male has a child dependent aged two and a female child dependent aged four. He states for us that under the Ontario motorist protection plan the family of the deceased would receive \$411,000. The dependent children would receive approximately \$23,000, for a grand total of just over \$435,000 for losing a loved one, for losing the breadwinner. They'd get \$435,000. Under Bill 164, your great piece of legislation, the surviving spouse would receive approximately \$73,000 and the children \$20,000, for a grand total of \$93,000. It's going to cost this family, this modest-income family, \$350,000 in benefits that it needs to live, under Bill 164.

Now you want the opposition to be happy about that; you want the consumers of Ontario to be happy about that; you want the surviving dependents of this family to be happy about that. Well, we're not and we're not going to be happy, and that's why we cannot accept a striking out of the words "no-fault benefits." We're not going to accept that, never.

Illustration number two: The reason I'm dwelling on this so much is that the government has not prepared a single amendment to deal with this, not a single one. They

weren't listening when the people came before the committee. They ignored Nigel Gilby and the head injury association and everyone else who begged for the right to sue for economic loss to be returned to them.

The Chair: Mr Mancini, could I just ask one question there on that?

Mr Mancini: Yes, sir.

The Chair: That \$400,000-odd, is that part of the right to sue or is that a guaranteed payment?

Mr Mancini: It's part of the presentation made by Mr Nigel Gilby.

The Chair: Just a clarification, so I'm clear on it.

Mr Mancini: Yes.

The Chair: It's not written that you get \$400,000 through—

Mr Mancini: Mr Chairman, there is case law and you could reasonably expect your family, sir, to receive these benefits if you were in these circumstances and had the unfortunate circumstance to be killed in an automobile accident.

The Chair: But we couldn't look in the book and that would be the payment out. That would be—

Mr Mancini: You might get—

Mr Tilson: He's referring to OMPP. He's referring to what you receive under OMPP as opposed to Bill 164.

The Chair: That's what I'm saying.

Mr Tilson: He's showing the terrible loss that people are receiving from OMPP to 164. That's what he's talking about.

Mr Mancini: Mr Chairman, I don't need this interrogation from you.

The Chair: Oh, no. I'm just asking because I haven't got the briefing notes.

Mr Mancini: Nigel Gilby was before us—

Mr Owens: What if you play innocent?

Mr Mancini: Nigel Gilby was before us—I know the parliamentary assistant doesn't like this.

The Chair: Okay.

Mr Mancini: I have a right to make my points with regard to section 1 of the bill—

The Chair: No, I wasn't—I was just asking for some clarification.

Ms Christel Haeck (St Catharines-Brock): Point of order, Mr Chair.

Mr Mancini: There's nothing out of order.

The Chair: Ms Haeck.

Ms Haeck: Thank you, Mr Chair. I know the Chair probably has some interesting points to make, but at the same time there were some members on this side who were questioning whether or not the Chair is in the position of asking questions and therefore—

Mr Mancini: Yes, he is.

Ms Haeck: I understand that Mr Mancini does that in public accounts, but the—

The Chair: I haven't got the briefing notes in front of me, so I was just asking the question, if that was a written figure.

1050

Mr Mancini: I don't ask questions of the members; I ask questions of the witnesses, I want to tell Ms Haeck, in order to get information from the witnesses, when I'm Chair of public accounts.

The Chair: Mr Mancini, you explained that on OMPP and 164; I'm clear on that now.

Mr Mancini: I want to continue on because the record has to show what has been presented to this committee and what presenters, witnesses, have asked the government to do and what the government is failing to do.

Let's look at illustration 2 as submitted to the committee by Mr Nigel Gilby, partner, Lerner and Associates of London, Ontario. He continues with his comparison of the Ontario motorist protection plan benefits compared to Bill 164. We're continuing in the comparison, using the unfortunate circumstances of a fatal injury when people's families are most in need. We are now looking at a married male, aged 40, with a gross income of around \$50,000, with a non-working spouse, aged 40, male dependant child, aged 10, and female dependant child, aged 12. I don't know about the government members, but I know a lot of families like that in my constituency, where there's one breadwinner, the other spouse is not working for whatever reasons, the personal choice has been made, and there are two children at home to educate, to save money so that they can go to university, to allow them a few benefits in this life, and to prepare for their future, and that's why the benefits paid to a breadwinner who was fatally injured are so crucial.

Under the illustration given to us by Mr Gilby, under the Ontario motorist protection plan, the plan that you people didn't like two or three years ago, the spouse would receive \$598,000 and the dependant children would receive \$25,000, for a grand total of \$623,000. Under your great bill, under your great piece of legislation, the spouse would receive just under \$130,000, the dependant children would receive \$20,000 and the total is just under \$150,000.

This family will lose \$480,000 for the privilege of having Bill 164 passed into law. That means that this family has approximately three years' worth of income to take the place of the breadwinner. I don't know how your mathematics add up, and there was no one on this committee who was able to prove Mr Gilby wrong when he made these presentations, not a single one of you, no one was able to prove that he was incorrect, but I certainly would want my family to receive the \$623,000 instead of the \$149,000.

I'm assuming that all of you have constituents who fit this model, with two dependant children at home, a non-working spouse, and I would hope that you would want those families, if they were in this unfortunate position, to receive the \$623,000 instead of the \$149,000.

Yesterday my colleague Mr Harnick said that he didn't object to the interjections. I don't object to the interjections

either, but Mr Harnick also said that what he really objected to was interjections mumbled under somebody's breath so that we couldn't quite make out what they were saying but we knew that they weren't agreeing with us. I say to the parliamentary assistant, if he has something to say, he should speak out.

The Acting Chair (Ms Christel Haeck): Just let me make a comment first. Mr Mancini, I appreciate your comments and your concerns as one of those that Mr Harnick was referring to yesterday. My comment to you would be, and it's one that in fact one of your members, the member for Oriole, uses regularly: Don't tease the bears.

Mr Mancini: I'm not teasing the bears.

The Acting Chair: There are a number of comments that have crossed the floor today and yesterday which definitely border on inflammatory, inciteful, so I would suggest, Mr Mancini, that if you would like a bit of your own medicine back, that's obviously easy to do and there are members who are quite prepared to comply. There are many of us who would like to have an orderly committee hearing and move along. I would suggest that you keep your comments on point, and I'm quite sure the rest of us will also thereby comply. I will now turn the floor over to Mr Owens, who had a point of clarification to make, and then the floor will return to you.

Mr Owens: I'll return the floor to Mr Mancini in the interest of moving this process along.

Mr Mancini: Thank you for that unsolicited lecture. That serves absolutely no purpose other than to show your bias, Madam Chair.

The Acting Chair: If you would not like to see this turn into an even more difficult day, I would suggest, Mr Mancini, that you would keep your comments on point. If you would like to find yourself in more difficult problems—

Mr Mancini: Madam Chair, you're not scaring anyone with your unsolicited—you're not scaring anyone. You're not bothering anyone with that silly show that you're putting on for a few government bureaucrats.

The Acting Chair: Mr Mancini, you are absolutely out of order.

Mr Mancini: And you're absolutely out of order yourself. You have no idea what you're doing.

The Acting Chair: No, Mr Mancini. You are out of order.

Mr Mancini: Thank you very much.

The Acting Chair: I would take it that now is the time for you to continue quietly.

Mr Mancini: Madam Chair, you can take your advice and review it, because you might embarrass yourself if you continue on in this manner.

The Acting Chair: No, Mr Mancini, I would suggest that I am quite aware of what even your responsibilities are as a member, so continue, please.

Mr Mancini: I wasn't mumbling under my breath, Madam Chair. It was the parliamentary assistant.

The Acting Chair: Mr Mancini, address your comments to the Chair and continue.

Mr Mancini: I am addressing them to you, and I told you that it was not I who was mumbling under my breath; it was the parliamentary assistant.

The Acting Chair: I would suggest that you continue quietly.

Mr Owens: Grow up.

Mr Mancini: You can sit in the chair and pretend that you know what you're doing, but it's obvious what the real facts are.

The Acting Chair: Mr Mancini, if you wish to insult me, I will try to ignore it.

Mr Mancini: After that lecture you gave me, I think you're getting everything you deserve.

Mr Tilson: Here comes the real Chairman.

Mr Mancini: If you think you can sit in that chair and make the comments that you made, you have another think coming.

The Acting Chair: Excuse me, Mr Mancini?

Mr Mancini: I said if you think you can sit in that chair and make the comments that you've made, you have another think coming.

The Acting Chair: I think you owe me an apology.

Mr Mancini: When I finish making my presentation—

The Acting Chair: Mr Mancini, you owe me an apology.

Mr Mancini: —if all of the bears that are here that have been teased can reply to what Mr Gilby has presented to the committee, I'd be very happy to listen.

The Acting Chair: Mr Mancini, I would suggest that you remember we're all honourable members and that you in fact owe me an apology.

Mr Mancini: Yes, and I would suggest that you read the standing orders and read some old Hansards so you know what to do when you're in the chair. That's what I would suggest.

The Chair: Mr Mancini, carry on.

Mr Tilson: Welcome back, Mr Chairman.

Mr Mancini: This all started because we had a lot of mumbling interjections.

The Chair: I was on the phone and watching. It was quiet there for a period of time.

Mr Mancini: I think Mr Gilby made the point very clearly. He came before the committee as a friend of the New Democratic Party who had actually worked for the New Democratic Party in the last election. He came before the committee not as a friend of the Liberals or as an acquaintance of the Liberals. He was very clear. He had prepared his brief. He condemned the government for taking away the benefits that surviving family members would be receiving under Bill 164, as compared to Bill 68.

The Chair: What you're telling this committee—

Mr Mancini: You know, Mr Chair, if you think we're annoyed about this, yes, we are annoyed about it. We're annoyed that working families earning from \$25,000 to \$50,000 a year—God forbid if they lose a spouse, if they lose the main breadwinner because of an automobile accident.

That family is financially ruined under Bill 164. That's why Mr Gilby was so passionate.

1100

The Chair: You say he was an independent witness, then, who had no vested interest in any one of the three parties?

Mr Mancini: Mr Gilby came to the committee, Mr Chair, and stated that, based on promises made by the New Democratic Party in the 1990 election, he opted to consider supporting them and did because he felt that the promises that were made would provide the best automobile insurance possible. That's basically what he told us. He said you've reneged on all those promises and in fact Bill 164 is harmful, as he pointed out to the committee, to working families who lose the breadwinner. We're upset about that because we represent thousands and thousands of families in each individual constituency, and automobile accidents occur—we would wish that they wouldn't—and fatalities occur. We would pray that they don't, but they do occur and when they do occur we don't think the surviving families, no matter how clever the government is in preparing Bill 164, should be placed in poverty status, on top of having to deal with the loss of the breadwinner and a loved one. That's why we're upset.

The Chair: Carry on, Mr Mancini.

Mr Mancini: Thank you. I'd like to ask the staff in regard to these statutory accident benefits that were in fact substituted for no-fault benefits, when you were drafting this legislation and concluded that these were the appropriate and correct words, whether or not you had taken into consideration many of the things that we have heard during these public hearings.

Mr Simons: What you're asking me is whether or not, in making this very technical amendment, which basically just changes words to make it clear that these are benefits mandated by statute and no longer contractual, we did what?

Mr Mancini: That you took into consideration all of these things. I'm told that you had a consultation process. Was there a consultation process?

Mr Simons: As far as I'm aware, yes, there was.

The Chair: Mr Owens, a point of order.

Mr Owens: No, it's not a point of order. In terms of the member's question, it's been clearly stated that the draft regulation is in fact just that, a draft, and that input made by those who made presentations to this committee will be considered in terms of where we go on future, if any, amendments to that draft regulation.

Mr Tilson: Then why do we have these hearings if you're telling me these aren't going to be the regulations? Are you telling us there's going to be another set of regulations?

Mr Owens: In case you're wondering why you're here, we were mandated by the House after second reading, as per the standing orders, to review Bill 164, not the regulation. That's why you're here, that's why you've been sitting here for the last three weeks.

Mr Tilson: Mr Chairman, through you to the parliamentary assistant, what I find simply astounding at this particular point in time is that the parliamentary assistant is saying that almost every last one of the people of this province who came to this committee to make presentations, express their concerns on these regulations and the fear of the implications of these regulations, in fact may have just been a flag that was thrown up. It was like a referee at a football game. It's throwing up a flag and it may or may not come down. What a waste of time.

The Chair: Mr Tilson, I have been told that we're discussing Bill 164, not the regulations.

Mr Tilson: I'm sorry, sir, but the regulations of every last statute in this province form part of the act. That's the law.

The Chair: I'll go on to Mr Mancini again.
Interjection.

Mr Tilson: They do. What do you think they are?
Interjections.

The Chair: Order. Mr Mancini—
Interjections.

The Chair: I was just correcting the record, that we're dealing with Bill 164, section 1. Mr Mancini.

Mr Mancini: I guess the message is not getting through.

Mr Owens: Speaking of mumbling, what was that?

Mr Mancini: I said I guess the message is not getting through.

The Chair: Did you have more comments, Mr Mancini?

Mr Mancini: I do have some more comments but I understand my colleague Mr Kwinter has a few comments he'd like to make, so I will yield the floor at this time to Mr Kwinter.

The Chair: I recognize Mr Tilson, then back to Mr Kwinter.

Mr Tilson: I just simply want to be put on the list, if Mr Kwinter has some comments.

The Chair: I was trying to rotate the three parties.

Mr Tilson: All right. Thank you, Mr Chairman.

The reason why I appreciate the comments made by Mr Mancini on this whole subject of section 1 is that it deals with the fact that we are now going to have a statutory accident benefits schedule. I expressed some concern on the comments made by the parliamentary assistant that the regulations that have been put forward may or may not be the package that the insurance industry is going to be dealing with.

However, I assume that because of the brevity of this act, in that the bulk of the legislation is in fact the legislation, we will be dealing with regulations. There are obviously many concerns that have been expressed during these committee hearings and prior to these committee hearings.

Mr Mancini has taken the brief of Mr Gilby, an excellent brief, and has started to proceed with that. Of course, the purpose of Mr Gilby's presentation was to compare

what one received under OMPP for the value of death benefits, specifically, and what one is going to be receiving under Bill 164. They're very startling examples that the survivors of these individuals are going to be in deep trouble as a result of this legislation.

The question of course is whether, with this tremendous loss in the two examples Mr Mancini had started to—actually, there are three examples; I think he just referred to two. The first example showed a differential of in excess of \$93,000 under Bill 164 to \$435,000 under OMPP; the second one showed a differential of \$149,000 under Bill 164 to in excess of \$623,000 under OMPP, and the third one a differential of \$97,000 under Bill 164 and in excess of \$396,000, almost \$397,000, under OMPP. The innocent accident victim, who is not only the person who's involved in the motor vehicle accident but members of his or her family, is not receiving the benefits he received under OMPP.

It's very important that we look at this, to make sure we understand what in the world this statutory accident benefits schedule is. The public, the press, almost every last delegation that came to this committee, expressed their fear that not only is this whole process going to cost them as much as 25% in increased premium rates, but also that they're going to have fewer rights, that they're going to be receiving fewer benefits.

The examples Mr Gilby gave are quite excellent examples. He's photocopied a number of decisions from Goldsmith's, the digest service, and if you start looking at those examples, there are half a dozen pages in that brief, all of which are photocopies of Goldsmith's. Just take them at random.

There's the case of Chalmers and Smidt, which was a 1991 decision. This was a 35-year-old, heavy-duty mechanic and he suffered a compression fracture of his spine. He spent 10 days in a Stryker frame and some time in a body cast. He was hospitalized for two weeks, and there was unlikely to be any long-term effect from the pelvic fracture. However, the plaintiff was unable to exert himself for more than two or three hours without a rest and he'd been unable to engage in his pre-accident pleasures of backpacking or camping. He was unable to return to his former strenuous occupation. He planned to retrain by enrolling in a mechanical design program.

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The judge in that decision—this is a British Columbia decision, but the principle is the same, because it would apply in Ontario—awarded non-pecuniary damages in the amount of \$35,000 and he awarded \$90,500 for future wage loss. This is a head note or summary of this case. Under Bill 164, this individual, this heavy-duty mechanic who's 35 years old, is not going to receive \$35,000, because right off the top there's a deductible of \$15,000, so there's a penalty right off the top and future loss of wages—well, we know that economic loss is gone under this legislation.

There's the issue of the penalty clause, the deductible clause, and that's all it is—a penalty because those moneys are going back to the insurance company—and there's the issue of the loss of economic loss for future wages. Under

Bill 164, the government is therefore saying, "Oh, but we're receiving all of these benefits under the statutory accident benefits schedule."

People are very concerned. There have been other examples given. There was an article, a letter to the editor, which I referred to in the House. It came from Ms Haeck's riding, St Catharines. It was an article in the *Toronto Star* of January 4 and it gave some examples, particularly of the student or of the independent corner store business person, of what Bill 164 is going to do to those people. It expressed grave concerns. This is back over a year ago, in January 1992.

The two examples I'm going to refer to are typical. Whether you're talking about the highly qualified individual who's between jobs, who's unemployed but highly qualified, who's highly trained but unemployed because of the recession or because the company has closed down, whether we're talking about the medical student who has gone through years of education and is on the verge of becoming a doctor and unfortunately gets involved in a motor vehicle accident, what's going to happen to them under Bill 164?

We're talking about the man or woman who takes time off from work. They may be highly trained and highly qualified, particularly the woman who goes away to have a child and is highly paid and highly qualified and has great potential down the line in her career, and unfortunately gets involved in a motor vehicle accident. She will not be able to recover adequately for loss of future income. This legislation says the whole principle of economic loss is gone. There's the farmer who's operating an individual farm. What's he's going to do?

These are the two examples I'm going to refer to and that I have referred to in the House, but I'd like to emphasize them. I'd like to emphasize them over and over because people are very concerned and the question, of course, is going to remain. I do think there needs to be considerable time spent by the staff, the bureaucrats or whoever is going to come and tell us, to assure us that the statutory accident benefits schedule is going to adequately address all these people, because I don't think they are, nor does anyone else who came before this committee. No one believes it, and the facts are that they're clearly not going to.

This was a letter by a Mr Barr, and it appears from the wording of his letter that he's a lawyer, but it doesn't matter. It was a letter in the *Toronto Star*, and it was typical of many letters that have been written to all members of this committee and all members of this House expressing their concern on this subject of economic loss. He said in that letter:

"Let me give you an example of this proposed added bonus," which is the \$1,000 per week that's talked about.

"Assume a small businessman, a corner store operator. His store is open from 7 am till 11 pm, seven days a week. He works constantly. He clears \$25,000 a year but his business is growing and he's optimistic for the future. A drunk driver crashes into him and he is disabled for a year. Under the new NDP plan, he will receive 90% of his profit, that is, \$22,500 a year.

"Unfortunately, he can't hire anyone to work the way he did for \$22,500 a year. Even if he could, this would leave him with nothing to live on. So he loses his business. He is wiped out. Of course he is entitled to claim damages for pain and suffering, subject to a \$15,000 deductible. But if he recovers in a year, he won't be able to prove \$15,000 damages for pain and suffering. He gets nothing.

"Another example. A student's leg is badly injured when a motorist pulls out from a stop sign without looking. He loses two years from school. He is two years late entering the workforce and loses two years' income. Then he gets a job. But the evidence is that in about 15 years, he will require an artificial knee and a hip replacement. This will have to be repeated in a further 15 years, after which he will no longer be employable. He will lose, probably, several hundred thousand dollars of earnings because of the accident. He cannot claim it, and he will probably wind up on public assistance by age 50."

I know the parliamentary assistant's probably just itching to respond to these things by saying, "Oh, but it's all going to be looked after by the statutory accident benefits schedule." He's just dying to tell us all that, and that leads me to the point, which is that we have a draft set of regulations, which may or may not be in fact the regulations that are going to be used under this legislation. So we may not have anything by the time this bill reaches third reading, and hopefully it never will. But we need to have some sort of assurance, some sort of explanation.

Delegation after delegation has come to this committee and said, "It's not going to work," that the innocent accident victim is in deep trouble. So I guess it's that, Mr Chairman, and my question is perhaps to Mr Owens, as the parliamentary assistant.

Having heard all these delegations, and having had both Mr Mancini and I and other members of the opposition show you the regulations, no one can understand them. I don't mind telling you, I'm not afraid to tell you that I've looked at them; I don't understand them. Lawyers who have come have read them; they don't understand them. Medical doctors, people in the medical profession, have come and they have looked at them, people who are accustomed to looking at regulations dealing with motor vehicle accidents; they don't understand them—delegation after delegation after delegation.

I hope Mr Owens is not going to say, "But I understand them," because I don't think he does. I think that if he was going to be honest with this committee, he would say he doesn't understand them.

My concern is that by passing this legislation, all of this uncertainty is going to expand the fear, "My goodness, if I get involved in a motor vehicle accident"—of course people say, "Oh, well, only 10% of the population gets involved in a motor vehicle accident and there's really no fear." It's like a flip of the coin. That's not improving the system.

Mr Chairman, I have some other areas. I don't want to give up the floor, but that's one dealing specifically with the regulations, whether they're draft or whether they're permanent. I'd like the parliamentary assistant to comment on how the government proposes to educate members of the opposition, the legal profession, the medical profession,

the insurance industry, the Ontario Insurance Commission, because it's going to be mediating all these darn things.

You can bet your bottom dollar that there are going to be more and more contests as to whether someone qualifies for certain benefits or not, because money's tight. Money's tight in this province anyway; the Treasurer's telling us that all the time. But money is tight, and you can bet your bottom dollar that because of the tightness of money, the insurance industry is going to be very, very difficult to deal with in granting out these benefits. So who's going to educate all of us, and how is that process going to take place and how much is it going to cost?

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Mr Owens: I'd like to thank the member for his question. In terms of how the education process will take place, as I've commented and the minister has commented in the House and in various interviews and through these hearings, the insurance industry and the government are committed to working together in terms of drafting a plain-language document so that people can in fact understand clearly where their rights and responsibilities are.

In terms of the cost issue, I can't identify a cost at this point, but your question has been noted and we'll respond to it as soon as it is reasonably possible.

Mr Tilson: Thank you. I guess then I get back to the letter to the editor with Mr Barr, who is commenting on all of these unfortunate situations. What are we going to tell these people? I mean, we're all members of this Legislature. Even before I became critic of the Ministry of Financial Institutions, as it then was, I got people coming in who were very critical of OMPP, as I'm sure you did, people who were involved in motor vehicle accidents, who didn't understand.

They were minding their own business, driving along in a car, and something happened, whether it happened that someone was inattentive or a drunk driver or whatever. I didn't get a lot of them, but a number of people came to my office and I'm sure they came to your office. They were bewildered. The legal profession were bewildered. They didn't know what this test was of "serious and permanent." They didn't know what that meant, and obviously the courts are having a great deal of difficulty with it too.

Of course, the argument comes that, well, has Bill 68 worked its way through the process? Will a test which no one understands or they find too harsh be modified by the court? That argument has been given, particularly by members of the insurance industry, and in fact by many, many people outside the insurance industry. But we've also been assured by almost every delegation—and Mr Mancini quite rightfully keeps referring to Mr Gilby's presentation. The facts in there are pretty damnifying towards the government's legislation. They are quite drastic comparisons, the three examples that he gives.

I've never heard anything to refute that. I don't know whether you're in a position to refute what he's saying. I think he's right, and if he is right, why in the world are we proceeding with this legislation at this particular point, when we're going to be worse off? The innocent accident victim is going to be worse off. Either that or Mr Gilby is wrong, and if he is wrong, I'd like someone to tell me

whether he's wrong. That's a question to the parliamentary assistant, Mr Chairman.

Mr Owens: We are currently looking at the assertions that Mr Gilby has made in his brief. I think it should be noted that in terms of the individuals who actually make it to court, based on a Supreme Court of Canada ruling, *Teno v Arnold*, in fact in the issue with respect to economic loss—to my recollection, and I'll get the exact case—that individual was awarded \$6,000.

Mr Harnick: Those are 1968 dollars.

Mr Owens: Yes, 1968 dollars, as the member for Willowdale indicates.

Mr Harnick: In 1968 dollars. We're 24 years from then.

Mr Owens: Which, inflated to 1992 dollars, in my recollection, would be approximately \$13,000.

Mr Harnick: The kid ended up getting \$1 million.

Mr Owens: So in terms of the bonus situation that is envisioned by Mr Tilson and the proponents of tort, there are a number of variables that need to be taken into account.

Mr Harnick: Come on.

Mr Owens: Let me finish. First of all, the individuals have to meet the threshold at this point. You're right: Very few people meet that threshold. Then again, they also have to be innocent. What happens, for instance, if the individual has nobody to sue? What if that individual skids on black ice and there's nobody to sue? That individual is totally disfranchised under the current legislation.

Mr Harnick: It's not true. You get no-fault benefits under the current legislation.

Mr Owens: In terms of the ability to sue for economic loss, which is the question under discussion here, Mr Harnick, if you would listen, the individual is not able to access those benefits. In terms of what we are doing with respect to the ability to sue for pain and suffering, in fact that will make available not only the statutory accident benefits, which is the clause under discussion here under part I, section 1, but will also give those who are injured the ability to sue.

Mr Tilson: It still doesn't resolve this issue of the series of cases. We could take Goldsmith, as you may or may not know; it's a whole series of digests that Mr Goldsmith puts out. Anyone in motor vehicle claims is aware of it. If you look at all of these cases that Mr Gilby has photocopied, most of them are OMPP. It's not all of them, but they talk about general damages and about economic loss. These people received compensation for economic loss. It gets back to Mr Barr, it gets back to Mr Barr's letter and it gets back to all of the examples: the self-employed, the women and the highly qualified worker in between.

I'm just trying to picture myself a year from now, after this legislation has passed if it is passed. Don't go away, Mr Owens, unless I can ask somebody over here a question.

Mr Owens: Don't worry, I'm not going away. I can hear your question from this side of the room just as well.

Mr Tilson: Sure. We're sitting in our constituency offices and we've had complaints about OMPP. Now maybe those complaints will resolve themselves, and that

argument has been made. They may be legitimate arguments. But what are we now to tell all of these people? I guess you've all had the brief. Here's one: \$10,000 for loss of income, \$90,500 for future wage loss. In every last case that's been copied, they all have received substantial compensation for economic loss, for future loss of income.

I will tell you that you haven't persuaded me. I know you haven't persuaded Mr Mancini, you haven't persuaded the legal profession and you haven't persuaded the medical profession that the statutory accident benefits schedule, if I could return to clauses 1(1)(a) and 1(1)(b), is going to adequately match or come close to what was provided for in OMPP.

When you're sitting in your constituency office a year from now, what are you going to tell these people who have come to us and said, "We didn't like OMPP, but this is a disaster"? What are we going to tell these people?

1130

Mr Owens: Just on a point of clarification before I answer your question, you indicated that we hadn't convinced the medical profession of the comprehensiveness or the adequacy of the legislation. Can you tell me which—

Mr Tilson: Yes. I can't remember the name; the last delegation, medical, last Tuesday, just as an example.

Mr Mancini: The rehab people.

Mr Tilson: The rehabilitation people came. They all came from Chedoke hospital, I believe it was, and they spent a great deal of time on that brief, if you would review that brief in the Hansard. They indicated they had a number of concerns, and one of the concerns was what I have just reiterated to you.

Mr Owens: Just in terms of the issues with respect to economic loss, I find it passing strange that we look at particular cases that have been chosen by folks to support their supposition, but what we don't see are the people who don't get into the case law books, who don't make it into court.

My question that I ask myself when I sit in my constituency office is, what do I tell the families of the individuals who were injured under OMPP who don't make the threshold, who don't get into court? What do you tell those people?

Mr Tilson: My understanding, Mr Owens, is that there were already benefit packages that were provided under Bill 68 and under the previous legislation.

Mr Owens: Oh, there's absolutely no question there are benefits but—

Mr Tilson: The Insurance Act quite clearly provided for benefits.

Mr Owens: Oh, absolutely.

Mr Tilson: That's the answer that you give your constituents.

Mr Harnick: Why should the innocent person take less?

Mr Owens: No one is trying to mislead the public into believing that there are no benefits, and if Mr Harnick would like to heckle, I would ask him to refrain and restrain himself so I can answer his colleague's question.

The question that remains is whether in fact the benefits are adequate, and Mr Mancini, in his opening statement, said quite clearly that nothing needs to be changed with OMPP, that the system is operating fine.

I'll ask Mr Mancini if that opinion still holds after the representations that have been made, including some representations that were made in Windsor, that indicate that cutting people off after \$500,000, those who are most catastrophically ill, is not the way to go, in terms of capping attendant care at \$3,000 a month is not the way to go. We are currently addressing that issue with respect to the cap on attendant care through a task force that'll look at the issues of access.

So when I sit in my constituency office and those of my colleagues, yes, we do think about what happens and what will happen to victims.

Mr Tilson: Mr Owens, that really wasn't my question. Listen, our party and your party, the NDP, spent hours and hours telling the people of this province how terrible OMPP was. The fact that I'm trying to raise is, does Bill 164 really improve on Bill 68, on the OMPP legislation?

Mr Owens: There's no doubt that OMPP is a terrible piece of legislation. We don't disagree on that.

Mr Tilson: No, but we're not here to debate Bill 68. We've done that. The last group that was in here spent hours and hours going at the Liberals. You did, your party did as well.

Mr Owens: That's right.

Mr Tilson: In fact you've now reversed everything. You're worse. Your legislation is worse than OMPP. If you wonder why people like Mr Harnick and myself and members of your own party are getting so excited—well, they are—they're getting terribly excited because it's the reverse. It's as if you've closed the book and opened up another book. I simply say that if you start—

Mr Owens: I'm not sure I understand the analogy.

Mr Tilson: What I'm looking for is, and we'll start right in subsection 1(a), how in the world does Bill 164 improve on the OMPP? Why will the innocent accident victim, who is now going to have less rights and it's going to cost him more, be happier? I'm really worried about when I'm going to be sitting in my constituency office a year from now trying to explain to people that they're better off, because I don't think I can.

Mr Owens: You're going to be able to tell them, I hope with some level of pride, that the \$185 a week, as a minimum, that the Liberals left unindexed has in fact been indexed, that in the case of the death of a victim, in fact the death benefits go from \$25,000 to \$50,000.

Mr Harnick: Don't brag about the death benefits, please.

The Chair: Mr Harnick.

Mr Owens: In terms of the rehabilitation again, we've taken the caps off of long-term care, which the former government felt, after \$500,000 had been expended, was in fact no longer the responsibility of the accident benefits plan. Sir, there are a number of improvements, and I would suggest that if you read the bill a little bit more closely,

those benefits are clearly listed. We have provided care giver benefits which in fact were not available under the previous legislation.

I would suggest that in terms of how you would deal with your constituents after this legislation is passed, I know it might be difficult to tell the government that it's a job reasonably well done, but in fact that's what you should do.

Mr Tilson: I wish you luck, Mr Owens, I really do, because I'm going to blame you personally and I'm going to blame every last member of your party and the members of your government. I can't blame your party because I don't think your party is behind you on this one. I don't think your party is behind this one at all, and we're uncertain about the education process. There's been no explanation that's going to come forward as to how we're going to educate members of the opposition, the medical association, all those people.

Mr Owens: You refused to have a technical briefing at the beginning of this process.

Mr Tilson: I'll have one right now. I'd like—what are you talking about? We didn't refuse a technical briefing at all.

Mr Harnick: We had it.

Mr Tilson: We had sort of a half-day briefing, which really didn't inform us a great deal. We weren't able to ask sufficient questions of the people from Mercer who spent half—

Mr Owens: Your transient memory is somewhat astounding.

The Chair: I'm sorry, Mr Owens. Mr Tilson was not here for the subcommittee meeting when that was decided.

Mr Owens: No, I think respectfully, Chair, Mr Tilson is referring to the first subcommittee where both Mr Harnick and Mr Mancini indicated that they—

Mr Tilson: Mr Owens, we're here now today to question with the clause-by-clause discussion.

The Chair: Let's just get on with section 1.

Mr Tilson: I'm sorry, Mr Chairman.

The Chair: Let's get back to section 1, not what happened in December.

Mr Tilson: I will only say that I think it's imperative that this government come forward with a specific plan as to how it intends to educate all of us, all of the stakeholders, to use this wonderful new word that the government's come up with, who are interested in this legislation, and that includes you and me.

How are we going to educate you and me? You're probably smarter than I am, Mr Owens; you're somehow sitting up there at the front of the room. But needless to say, I don't mind saying I need some education and it may well be that's something this committee should look at. It may well be.

Mr Chairman, the subcommittee is going to be meeting shortly and I would move adjournment of this committee meeting until 2 o'clock.

The Chair: Unanimous consent? Agreed.

The committee recessed at 1139.

AFTERNOON SITTING

The committee resumed at 1408.

The Chair: Okay, we'll resume Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. We're on section 1. We had Mr Tilson when we adjourned. Would you like to stay on the floor?

Mr Tilson: Yes, I'd still like to make a couple of comments, because certainly we're dealing with the subject, as put forward in section 1, of statutory accident benefits. My remarks are going to be very brief and I would like to hear what Mr Kwinter has to say. I have some further questions and thoughts, but I think it would be fair to give the floor to Mr Kwinter.

The Chair: Mr Tilson, I'm going to be going to Mr Owens and then to Mr Kwinter. He has a few short remarks to make also.

Mr Tilson: Of course. That's fine. I will say that the concern that certainly the Progressive Conservative Party has is that I have been sitting on this committee listening to delegations and I have been sitting in the House. I am uncertain as to what this is going to cost the consumer. I have heard all kinds of figures from Mercer, from 4% to 25%, and several people have said they expect it's somewhere in between that, which is a strange thing to do. If you do nothing the rates may go up, but if you implement Bill 164 the rates are going to skyrocket. That doesn't make sense.

I'm concerned about the cost, the needlessness of the cost. I'm concerned about the workability of the benefits. Again, I'm getting back to the statutory accident benefits schedule, which may or may not be in draft form. The insurance industry has spent a great deal of time analysing this package of regulations. The legal community has studied it, the medical profession has studied it, only to find out that this may not be the package that's going to be put forward.

Someone keeps saying, "It's not part of the act." I can assure you that all regulations are part of an act. It says so in one of the sections of any bill that the Lieutenant Governor may put forward regulations. That's how legislation works. It works through issues of regulations. One of the concerns of many members of this House, and I can't believe simply members of the government, is that what this bill is doing is assigning too much to the regulations, that it's not clear enough in the bill. The whole process of educating us remains unanswered.

If the Progressive Conservative Party were putting forward legislation, I would think that first of all we should set some time aside. We did not support the OMPP, we still do not support the OMPP, but we're into it. Rightly or wrongly, we're into it. Now we're into an unexplainable reason as to why Bill 164 is being put forward. No one seems to know why we're doing it. No one seems to know the cost of it. No one seems to know how we're all going to get educated. No one seems to know what size the insurance commission is going to expand to. The insurance

companies are having unbelievable difficulties understanding the meaning of many of the benefits set forth in the schedule.

There is a great deal of uncertainty, and that word has been used throughout, in all of the delegations—not all of them but a good number of the delegations that have come forward—the fear of the uncertainty. This is a very poorly drafted piece of legislation. It's a very uncertain piece of legislation which has been compounded by the fact that the parliamentary assistant has now told us that the schedule of regulations may not be the schedule of regulations, that we may have another schedule of regulations. That troubles me because, in other words, we're going into a field that's full of land mines that could explode. I think it troubles the people of Ontario as to where we're going.

I have a number of other questions in areas on section 1, but I think it would be fairer to hear other members of the committee speak on some of the things I've been saying and some of the things Mr Mancini has been saying.

The Chair: Maybe some of those questions you could address now and maybe when we go to the parliamentary assistant he can answer you on those.

Mr Tilson: I'd like to hear responses, one by one, to some of the comments. I'd like to hear other members comment on some of the things I've said, whether they agree or don't agree, and if they don't agree, why they don't agree.

The Chair: Okay, you have the floor.

Mr Tilson: I'll just ask the parliamentary assistant for his comments on what I've just said.

Mr Owens: Which question would you like me to respond to?

Mr Tilson: All right, if you want to do it that way, fine. If you want me to spend a great deal of further time, I'm trying to develop some sort of debate on section 1. I've put forward a concern that I have on the issue of cost, the uncertainty of cost. There have been no feasibility studies other than Mercer, which has been challenged. It has been challenged quite legitimately and we've heard all the objections. There has been no specific feasibility study as to the effect it's going to have on the Ontario Insurance Commission. There have been no feasibility studies.

We've heard testimony given to this committee that the insurance commission wasn't even invited for comments. In fact, Mr Scott has said that he's going to have to hire about 100 more people. That fact has not been disputed—and I'll use the parliamentary assistant—by the government. I assume that because he said that, that is a fact. We have no feasibility as to the number of bureaucrats, the increasing bureaucracy, not only to the insurance industry but to the government. I don't know whether the Ministry of Financial Institutions—and I don't even know what the ministry is called any more, but whatever it is called, the ministry that's responsible for auto insurance—I don't know what additional civil servants are going to have to be retained and what cost that's going to be to the Ontario

taxpayer. I don't know what it's going to do to the Ontario Insurance Commission.

So we'll leave it on that. If you wish me to run down my questions, I will be pleased to do that.

The Chair: Maybe we could go one by one there.

Mr Tilson: That's what I'd prefer to do.

The Chair: Okay, fine.

Mr Tilson: I would also like to hear some of the comments from other members of this committee—not just Mr Owens, but other members of this committee, because I think those questions have been asked over and over by delegations that have come to this committee. I think specifically that whether the spokesman for members of the government side of this committee is going to be the parliamentary assistant or not, it's imperative that the government respond to those concerns.

Mr Owens: I'd like to thank Mr Tilson for his questions. In terms of committee procedure, as Mr Tilson is well aware, the members can ask questions of the parliamentary assistant or ministry staff. There is not an ability to question each other as committee members.

In terms of your concerns with respect to cost, the government is also concerned about the costs to the consumers for the insurance package. I think it was best put by a deputant who indicated that we could give her the policy for free, but if it didn't have a comprehensive benefits package attached to it, then it wasn't worth the paper that it was printed on. I realize I'm paraphrasing this witness, but that's essentially the issue that we are looking at, in terms of striking the balance between what costs the consumers are willing to bear versus the costs of providing a comprehensive accident benefits schedule to people.

To demonstrate that concern, we, along with representatives of the industry and along with representatives of the rehabilitation community, are taking a look at the issue with respect to the \$3,000-a-month cap that is currently in place to determine whether or not that cap is reasonable and to determine issues with respect to access to the system.

In terms of the Ontario Insurance Commission, the member is aware that the number he is using arose out of a question at question period, and he was quoting Don Scott from the Ontario Insurance Commission. If one of the ministry staff or Brian Donlevy could provide me with a Hansard, I can quote directly the answer from the minister, but it's my recollection that the minister did state at that time, and will continue to state, as he is the person responsible for auto insurance in this province, that it will be the minister who will make the determination as to the personnel requirements at the commission.

Mr Tilson: Is he going to take over the Ontario Insurance Commission?

The Chair: Okay—

Mr Tilson: Mr Chairman, I agreed to give up the floor and now you're shutting me down.

The Chair: No, no. What I was going to say is that I had your mike turned off. The reason is because when Mr Owens is talking, I want to make sure the audience can

hear. With the two mikes on, it fades away. He has a very low voice that doesn't carry, so if he can just—

Mr Tilson: He has a very loud voice, Mr Chairman. In fact, it's deafening.

The Chair: Well, no. I have a hard time hearing him up here, so I think the audience down there would agree that it's a soft voice and it's hard to hear. Can you just, when you go on, give it two seconds before you start? Go ahead, Mr Tilson.

Mr Tilson: I think we should stop on that last point, that the minister is going to start interfering with the Ontario Insurance Commission. If we're talking about making this system work, although the insurance commission are government appointments, supposedly they're independent. Supposedly it's an independent operation. It's not, because in fact the government, if it so chooses, could appoint all its political friends to that committee. They have the ability to do that. Well, you laugh, but they certainly could do that.

Mr Owens: Like who?

Mr Tilson: Like who are your friends? Well, you have fewer and fewer friends left; there's no question about that. But the fact of the matter is that you could do that.

Now you're going one step further. You've said the minister is going to decree what the Ontario Insurance Commission does. That, essentially, is confirming the fear the insurance industry has that there's no independence in this whole process, that the government's taking over the whole operation. When we get down to mediation of disputes, as to what's a benefit and what's not a benefit, and the minister is decreeing what in the world the law is going to be and what benefits apply and what doesn't apply, why have an Ontario Insurance Commission, if that's what you're submitting?

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The Chair: That's the end of the question? Mr Owens.

Mr Owens: I'm always amazed at what can be accomplished by a simple twist of phrase. In terms of what I may or may not have said, I did not indicate—

Mr Tilson: Do you want to read Hansard back?

Mr Owens: —the minister was going to run the Ontario Insurance Commission. I indicated, in a response to your question in which you quoted a figure given to you by Mr Scott, that it in fact will be the minister who makes the decisions with respect to personnel hirings and complements. Mr Scott, as any other director, is able to hypothesize on what his personnel requirements will be. That is certainly his right, but in terms of the final decision with respect to personnel that will be required, if in fact there is an increase required, those decisions will be made at the time.

Mr Tilson: Just so I'm clear, do I understand that you're telling this committee the minister will be telling Mr Scott, or the head of the insurance commission, who he can and cannot hire?

Mr Owens: No, that's not what I'm saying.

Mr Tilson: What are you saying?

Mr Owens: One more time, with feeling: In terms of the personnel complement—and that, in plainer English, means numbers—in terms of the numbers that will be required for the commission, they've yet to be determined, and at such time as more personnel are required, if in fact that is the case, then a decision will be made. You're assuming that because of a conversation you've had, and you raised an issue in the House, all of a sudden that fact's reality. Well, I'm suggesting to you, my honourable friend, that may not be reality.

Mr Tilson: I guess my concern is, which gets back to making the statutory accident benefits schedule work—

Mr Owens: Well, that's exactly what my question is going to be.

Mr Tilson: You can make all the interjections you want—hopefully you won't make any more—but the fact is that the system has to work, and part of the way the system is going to work is that unless you change everything, and I'm beginning to wonder if that's what the real aim of this government is, you have to have a working, viable insurance commission.

Mr Owens: We agree.

Mr Tilson: Someone has to deal with these problems, unless you're going to do away with the insurance commission and have something else. You've never said that, so I therefore assume you will still stand on the principles of the Ontario Insurance Commission operating. To do that, the head of the Ontario Insurance Commission has indicated publicly that it will require at least 100 more individuals—100 more people to make it work—and you're saying: "No, that's not true. If the minister decrees that he doesn't need 100, notwithstanding the fact that Mr Scott says he does, that's the way it's going to be."

Somewhere along the line, the Ontario Insurance Commission has lost a great deal of independence. One delegation came to us and it had prepared as if it was the Ontario Insurance Commission that was coming. In fact, that wasn't the delegation; it was someone who, I think, had done some work for the Ontario Insurance Commission, but it wasn't the Ontario Insurance Commission. What I can't understand is why the staff who are here to explain things, particularly this unbelievably complicated set of regulations—we haven't heard whether or not the Ontario Insurance Commission is going to be able, with the mandate it has, to make this system work. Mr Scott has said he needs 100 more people. Mr Charlton is saying, "Well, you're probably not going to get that."

Mr Owens: Sure he can.

Mr Tilson: I need to know whether this system's going to work. There are all these unanswered questions as to cost, as to how we're going to explain this complicated package to everyone.

It gets into a third issue, and that is the disputes that are guaranteed to develop between the innocent accident victim and the insurance companies, and I tell you, they're going to develop. There will probably be reports put out. If you thought you were doing away with the legal system

dealing with the tort, you've created another monster, because I can assure you that the insurance industry, simply to survive, will be challenging the meaning of certain benefits under the statutory accident benefits schedule.

That raises the question I have raised throughout the hearings and on which you made some startling comments, and I'm looking forward to clarification on them, as to who's going to represent the innocent accident victims. The legal community isn't going to. There may be some, but there certainly won't be the representation they've had in the past.

You have made suggestions, Mr Owens, that there will be a form of advocacy group, some sort of a semilegal opinion, notwithstanding the fact that people who have sustained very serious injuries have come to this committee and they say they are entitled to the best advice they can get. Yet you're not allowing that, so that's a third area we need to spend a great deal of time on, all of which are related to the statutory accident benefits schedule. You can answer any one of those three questions.

Mr Owens: Oh, absolutely; I certainly intend to, and I appreciate those questions as well.

Unlike the current OMPP, if the insurance company takes the view that it wants to cut a person off his weekly accident benefit, currently the person is up the creek without a paddle. What our proposed legislation does is provide for the continuation of the benefit while this process is going on. We see that as a way of ameliorating any kind of response that you suggest is possible. I think it would be highly irresponsible for an insurance company to take what appears to be a political position in determining whether or not it agrees with our definition, and simply to use victims as its test cases.

Mr Tilson: Don't take shots at the insurance companies like that.

Mr Owens: May I finish my points? You certainly were allowed your floor time and I'd like to respond.

In terms of your comments with respect to my startling testimony or comments, they may be startling to you, but I think most people around this place are aware of legislation that has gone through with respect to the Advocacy Act, the Substitute Decisions Act and the Consent to Treatment Act.

What I did say, Mr Tilson, was that the minister is highly concerned about advocacy in the system and how one goes about providing effective advocacy for individuals, especially those who may not be in a position to make their wishes known to people, or those who may have suffered a head injury and are not competent to make those kinds of decisions. So in terms of the advocacy issue, you're quite right, the minister is concerned about advocacy, and about ensuring people do have the best representation possible.

Again, you've taken comments and twisted them to bring them to some kind of reality in your view that we're going to be hiring and providing people with \$40,000-a-year representation while the insurance companies are going to have the benefit of more expensive counsel. That's simply not true. In terms of the process that will

follow, advocacy is a major concern of the government and we're going to work out the best process possible for people, to ensure they have good representation.

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Mr Tilson: You see, Mr Owens, that is the very point I'm getting at, that you're still working on things. You're still working on where you're going with respect to advocacy. I'm sure you all have a copy of the summary of recommendations legal research has prepared for the committee. When you turn to page 28 on the subject of legal counselling, where a summary has been made of several people, it says:

"While the draft regulation provides for rehabilitation counselling, financial counselling, employment counselling etc, it contains no provision for legal counselling. Given its complexity, the draft regulation should include provisions for reimbursing accident victims for all reasonable legal counselling expenses."

I'm not so sure whether I want the government to pay for all this, although it's starting to pay for everything. Somewhere along the line the government's going broke; it's taking on too much. The issue is that there's a whole group of people who are not going to have legal counselling, specifically dealing with the insurance industry.

I'm not taking shots as you are, Mr Owens, at the insurance industry. I'm not saying that.

Mr Owens: Oh, come on.

Mr Tilson: Well, you are. You've made some very adverse comments towards them. I'm simply saying that they've come to us. Everyone has come to us, whether it be the adjuster, the broker, the president of the company. Groups of people have come to us and they've talked about their fear of participating in a system that they don't think is going to work because of the whole issue of costing, and because of their not being clear on understanding a lot of these issues.

Mr Mancini has kindly provided me with a copy of the brief of Mr Dave Cooke's brother, who made a submission in Windsor. His name is James H. Cooke.

Mr Owens: You are aware that any indication that you take a different view of Mr Cooke simply because of his brother's position in this government or any other government is a violation of the Ontario Human Rights Code under the family relationship—

Mr Tilson: Don't be so sensitive.

Mr Owens: That brief has absolutely nothing to do with Dave Cooke.

Mr Mancini: That's the silliest thing I've ever heard.

Mr Tilson: Mr Chairman, Mr James Cooke came to this committee and told us he was his brother.

Mr Mancini: He came before our committee as a witness in front of you, Mr Owens.

Mr Tilson: He was the one who announced it himself. He made it quite clear to us that he was having a great deal of difficulty speaking against his brother. He obviously supports his brother, as most brothers do, but on this particular issue he found a great deal of difficulty supporting what the government's position is.

The Chair: He had that opportunity.

Mr Tilson: He did and he made those statements. I'm repeating what Mr James Cooke said. If I had announced something that was unknown to the committee—but this was said. It's in Hansard. It's quite clear.

Mr Owens: He should complete his comments, then.

Mr Tilson: If you give me a chance and stop interrupting me, I'd be pleased to do that.

The Chair: Mr Tilson, you have the floor.

Mr Tilson: Page 4 of Mr James Cooke's presentation states:

"Lawyers are able to assist their clients through the regulatory nightmare. They are able to advise clients of the advisability of claiming non-pecuniary damages. Importantly, lawyers can fund the disbursements necessary to prosecute a claim. In summary, the plaintiff's bar was the counterweight to the large insurance companies and well-heeled defence counsel. The court system was the level playing field."

That's the gist of Mr James Cooke's presentation to this committee on this subject, that the playing field is no longer level and that the innocent accident victim, which your party and our party and probably the Liberal Party when it was putting forward OMPP—we all have a concern about the innocent accident victim, but somehow they've got left behind on this thing.

Who's going to represent them and provide them with the type of advice that can adequately deal with the insurance companies, who are going to have—he's not here today, but I don't mind saying Mr Harry Brown is an excellent lawyer; he was here yesterday—lawyers of that quality, very highly qualified and trained lawyers who know this stuff, with all due respect to you, Mr Owens, better than you do because they have studied the legislation in great detail?

His job will be to assist the insurance company on questions of—and it's going to happen—whether someone qualifies for a benefit or not. The vagueness and the uncertainty of these regulations has made it quite clear: The very fact that everyone in this committee room, including you, if you were to admit it, doesn't understand this stuff. All the more reason why there's going to be great litigation. It will go back to the courts on yet a whole slew of issues.

I guess that's the question, that you say you're concerned about advocacy, yet you're continuing in this committee process when there are all these unanswered questions. There's a great deal more work that this government could do before it proceeds with this legislation. I don't care what House leaders have agreed to. We can all go back to our House leaders and we can agree to everything we want to agree to. If it's unanimous, this place can do anything.

Surely we're not bound by three House leaders sitting down and saying what is what. If the government isn't in a position to proceed with this legislation, then it tells its House leader—who is, ironically, the minister responsible for auto insurance now—and the House leader for the Liberal Party and the House leader for the Conservative Party that we need more time.

We need more time to answer this question on advocacy. You have admitted now to this committee that you don't know where you're going on this thing, you're going to have to study it more. You've admitted the whole issue of costs. There's a whole slew of uncertainty about cost. There's a whole slew of uncertainty with respect to the insurance commission.

All right, you can accuse me of playing with words and I can accuse you of playing with words. The fact is that there's a whole slew of uncertainty with respect to the insurance commission, as to whether it's going to be able to operate. They haven't even been asked whether or not they can handle this thing. They've been asked for no opinion.

Where did I get that? Someone made a statement here who deals with the insurance commission. In fact I asked him if he would be prepared to recommend to the insurance commission that it would make presentations to the government recommending certain things. I don't know whether he's going to do that or not, but it's not his job to do that; it's your job. You're not ready to proceed with this legislation.

Those are my comments for the moment, Mr Chairman.

The Chair: Mr Owens.

Mr Owens: Thank you, Chair. The reason we are having this discussion today is respecting section 1. People may have forgotten, but I would certainly like to reiterate that clause just to ensure that the opposition is fully aware of what we're supposed to be dealing with today.

Starting with subsection 1(1):

"The Insurance Act is amended by,

"(a) striking out 'no-fault benefits' and 'no-fault benefit' wherever those expressions occur and substituting in each case 'statutory accident benefits' and 'statutory accident benefit', as the case may be; and

"(b) striking out 'no-fault benefits schedule' wherever that expression occurs and substituting in each case 'statutory accident benefits schedule.'

"(2) A reference to the no-fault benefits schedule under the Insurance Act in any other act or in any regulation, contract or other instrument shall be deemed to be a reference to the statutory accident benefits schedule under the Insurance Act, and a reference to the benefits under the no-fault benefits schedule shall be deemed to be a reference to statutory accident benefits under the statutory accident benefits schedule."

In terms of the explanation for that, in case people have forgotten it in the close to six hours of debate we've had on subsection 1(1) of this legislation, we are changing the no-fault benefits listed to statutory accident benefits. This is to indicate that the benefits will be mandated by legislation and certainly not by contractual terms.

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In terms of subsection 1(2), this subsection deems that references to no-fault benefits in contracts, insurance policies and any other instruments are to be referred to as statutory accident benefits.

In terms of what else I would like to say, we have approximately 10 sections that are certainly what the gov-

ernment views as being simple name changes and clarifications and nothing more than that.

As we sit here today, and as we have for the past six hours, debating the first section of this particular piece of legislation, I'd like to ask members to keep in mind some statistics that were raised, I believe it was by Mr Winninger in Ottawa, which were published in the Canadian motor vehicle traffic accident statistics for 1985.

The statistics state that, on average, a driver makes 20 decisions per mile and one error every two miles. This results in one near collision every 500 miles, one collision every 61,000 miles, a personal injury to an individual every 430,000 miles and a fatal accident for every 16 million miles travelled. As we sit here today, as I said, for the last six hours, looking at subsection 1(1), somebody has now either died or been injured.

Mr Mancini: Mr Chairman, on a point of order: Are your comments directly related to the no-fault benefits schedule or are you trying to build up a case?

Mr Owens: No, absolutely. My comments are totally germane to subsection 1(1).

The Chair: Mr Mancini, I've been following most of the members of the committee and I've been checking back that this has to do with the no-fault benefits.

Mr Mancini: That's fine. I just wanted to check with the parliamentary assistant. I didn't want to jump in and interrupt the parliamentary assistant.

Mr Owens: I appreciate your courtesy in that respect. In terms of the amendments to Bill 164, as I said, as we have sat here for the last six hours, some people have been seriously injured, some may have been killed and many more will fall under the OMPP legislation. Whereby they would have been able to benefit through our enhanced benefits, starting with subsection 1(1) in the legislation, they're not going to be able to do that.

Those who maybe took their eyes off the road for a mere second to check their speedometers or to fix a mat for half a second and ended up colliding with a car in front of them would be totally unable to sue for what has been touted as the new panacea or the not-so-new panacea to return victims to where they once were.

I think it's pretty clear that in terms of the benefits prescribed under the legislation and set up under subsection 1(1) of the act, it's important that rehabilitation begin immediately, that there are protections built in to the legislation to ensure that victims are not summarily cut off from their benefits and that there are also protections built in to ensure that insurance companies have a method to deal with people in terms of the ability to seek independent medical opinions if there is in fact doubt about whether the person should be receiving benefits at all.

It's our view that we have the concerns of both the businesses in this province, that is, the insurance companies, and the interests of the victims that would fall into this piece of legislation, beginning with subsection 1(1) of Bill 164, that we need to take a look at how we can, in the most efficacious way, begin to move on.

As I say, under the first 10 sections of the legislation, beginning with subsection 1(1), there are merely word

changes. We have now spent close to six hours looking at this particular subsection, subsection 1(1) of the act, and maybe some of the remarks would be better addressed under some of the issues that members have addressed earlier.

It would also be quite helpful if members, if they are so concerned and their parties are so concerned about what we have done under Bill 164, starting with subsection 1(1), put forward amendments to the legislation so that we can have a look at those amendments. As I indicated to Mr Tilson earlier today, we are certainly open to suggestions and we are not merely engaging in an exercise to ram any kind of legislation down people's throats, including subsection 1(1) of Bill 164.

We have engaged in an extensive consultation process. I find it passing strange, once again, that Mr Tilson indicates that we have not spoken to any of the insurance companies about the implementation of the bill or even in terms of the preparation of the bill. I can assure Mr Tilson and members sitting in the audience who may be from the insurance industry that we have in fact consulted extensively with insurance companies.

We have consulted with insurance company groups like the Insurance Bureau of Canada and the Insurance Brokers Association of Ontario in terms of the implementation processes. As we move through the bill, starting with subsection 1(1), we will see that there are amendments that in fact the insurance industry has requested to make its life easier in terms of functionality.

We're certainly prepared too to do that and we hope that, as the opposition, you'll agree to supporting us in those amendments that have been requested. While those kinds of amendments may not include subsection 1(1), it's my request that we start by passing subsection 1(1) and that we move on to the second section and proceed through.

As I say, there are 10 sections that are simple changes of wording, changes of names, and there's clearly not a contentious issue among them. We certainly are prepared to engage in debate on the issues that are before us in Bill 164, beginning with subsection 1(1), but we would like to certainly get some of the name changes into place so we can move up to issues of substance that have been delineated by Mr Harnick and by Mr Tilson.

Mr Kwinter has not yet had an opportunity to delineate his concerns, but as he is a former Minister of Financial Institutions, I look forward to his input. Perhaps he can tell us whether or not, in his view, Bill 164 has in fact worked and how it has helped his constituents. I'm looking forward to that input. With that, Chair, I'll turn the floor over to the next speaker on the list.

The Chair: Mr Kwinter, you've been very patient. Three hours you've waited to get on the floor. The floor is yours.

1450

Mr Monte Kwinter (Wilson Heights): Thank you, Mr Chairman. I am particularly interested in contributing to this debate because, as has just been alluded to, I was

the Minister of Financial Institutions when the so-called insurance crisis came to a head in the 1985-86 period.

I remember with fondness, and I've said this to Mel Swart personally, the debates that Mel and I had in the House where he would stand up and call me a "gutless wonder," a "lackey of the insurance companies," a "lily-livered scoundrel." I remember one day when question period lasted 60 minutes and I was on the floor for 43 minutes answering questions on the insurance business. I said then as I say now: One of the basic problems that we have with this whole issue is that most people do not understand it. They do not understand how the insurance industry works. They don't understand what insurance is. So what you have is political rhetoric, emotional comments, and it is a very difficult issue to address because of that.

I'd like to spend a little bit of time just going through what I think the issues are and why I think Bill 164 does not address them and subsection 1(1) does not address some of the issues.

The insurance business is a very simple one. It is a very simple concept. I hasten to add that the administration of it is extremely complex, but the business itself is simple. A community, whether it's a community of a few or a whole country or a whole world, recognizes that there is a risk of some sort, where they are at risk. In order to protect themselves from that risk, they have to make some provision. Now, certain entities do what they call self-insuring. They feel that they are so large that the risk that could possibly happen to them is within their capability of handling from a financial, emotional, psychological view. They self-insure. A perfect example of that is the government of Ontario. The government of Ontario has such huge resources and such huge potential that it does not buy insurance, because if anything ever happened to it that it can foresee, no matter how catastrophic, it has the resources to pay for it.

Now, that is not the position of your average citizen. So the way to sort of address the problem is for, as a community, each one to put in a little bit of money to cover the eventual problems of a relative few. So what you do is spread the risk.

Now, I've said this to the industry and I don't mean it in a derogatory way, but I think the easiest way to explain how the system works is that the insurance industries are bookies. As I say, it isn't meant to be derogatory, in the sense that in the UK a bookie is an honourable profession. But what they are really doing is they are betting with their customers that they are not going to have a claim.

If you were a customer and you were convinced that you would never, ever have an insurance claim, then you wouldn't buy insurance. Why would you give somebody money that you will never, ever have to claim on to get money back? You would say, "Why would I possibly buy insurance?" But the point is that every single person feels that he or she could be at risk, so they pay into this pool of money, and the people who do have an accident draw out of that pool. Obviously, if everybody who put money into it drew out of it, you'd have a problem. There wouldn't be enough money to cover it because the person

who contributes to that pool is not being asked to pay the full costs of a potential accident. So that is basically how insurance works.

Now, the insurance companies—and this is the point that most people overlook—are businesses. They are run by people who have investors and shareholders who put money into this company on the assumption that they are going to get a fair return on their investment. If they aren't going to get a fair return on their investment, they are going to withdraw their money. I just have to point out to you, if you've been following anything about the insurance industry and you followed the trials of Lloyds of London, which has a great historical record of being an insurance company, that it is made up of a group of syndicates. The members of those syndicates, who are called "names," are prominent people with assets and means who contribute money into a syndicate that allows that syndicate manager to issue risk insurance. The premise is that, sure, people will draw on it, can have access and they'll have to pay out, but they will get a reasonable return on their investment, and if they don't they are in trouble.

We've had the case where in Lloyds of London some of the most prominent people in the UK have had some financial problems because the insurance syndicates they had invested in had gone bad because the risks far exceeded what they anticipated. How do they anticipate the risk? They get people—and we've all talked about them—who are actuaries and who will say in any community the chances are that X number of people will claim on the system. They calculate that and they know exactly what that should be, based on actuarial history, and they'll say here's what it is. If we take in \$1 million—and I'm just using these figures for example—and we have to pay out \$700,000, we're going to be left with \$300,000 and that is going to give us a return on our investment of whatever it is.

That's how the business works. It's a very, very simple business. Figure out what your risk is, calculate your rates accordingly so that when it's all over, you've paid all of your claims and you're left with a fair return on your investment. That is basically the system.

Now, when we get to the administration, you have a totally different story. Because of the way insurance works, people do not necessarily relate to individuals. All they see is these huge companies that have massive buildings on the main streets of the communities around the world and they feel that, "These guys have all kinds of money and somehow or other I am going to try and get what I consider to be a fair amount of money out of them." So what happens—and this is where the contradiction comes in, because most insurance companies love to pay out money, it's good for business, as long as it's within their actuarially calculated expense. They love to have customers say: "You know, I bought an insurance policy from the XYZ company and I had a claim, it was settled immediately, they paid me my money and I got whatever I had to get and it was great. And I'm saying to you, if you want to have insurance, go to that company."

Many insurance companies pride themselves on settling the claims quickly and fairly because it's good for business.

Where you have a problem—they're twofold. You have people who are trying to beat the system, who claim they have an accident, claim they have a claim that isn't supported by the evidence. In order to protect both people, those that are justifiably entitled to a claim and those that aren't, you have the bar. You have the lawyers who go and plead the cases and they are the buffer between the two groups. The system has worked very well.

As I say, as far as the insurance companies are concerned, they know exactly what their exposure is, they know exactly what they have to pay—not individually, but collectively they know what it should be. Where the crisis came in 1985 is that the courts made a couple of landmark decisions that really spooked the insurance industry, and I'd like to tell you about two of them.

One—is Charles here? What's the name of the case in Brampton?

Mr Harnick: McErlean, I think it is.

Mr Kwinter: A young man with a dirt bike, up in Brampton, broke into a fenced public area in the city of Brampton. He broke into this property with his dirt bike, was fooling around with some of his friends, had an accident and was rendered a quadriplegic. He successfully sued the municipality of Brampton for \$6 million, the argument being that they should have done whatever they could have to keep that fellow out of their property, that a fence was not adequate. On appeal, that particular award was overturned, but at the time it was standing it sent the signal to the insurance companies that the exposure we thought we had we didn't have.

1500

There was another case where a group of students were driving from Toronto to Ann Arbor, Michigan, in a van and they had an accident on the 401 and all five of them were killed. The insurance company's feeling was that it had a limit on its exposure of \$1 million; the courts ruled that it had an exposure of \$1 million for every one of those passengers.

Mr Harnick: That was under the SEF 42.

Mr Kwinter: Yes. Again, the courts sort of reinterpreted the exposure that the insurance companies thought they had. As a result of that, all the insurance companies said: "Hey, just wait a minute. If you guys are going to do that, we're going to have to re-evaluate our position, because we have not made those kinds of provisions in our fee structure."

To get back to my analogy of a bookie, what happens is that an insurance company takes the risk, and as a good bookie—and again, I keep using that analogy, and I don't want you to think I'm using it in a negative way, but I think it's the perfect analogy—what they do is, they lay off their bet because they don't want to be exposed to such a huge potential payout. So what they do is they go to a reinsurance company, and that is the key to the insurance companies.

The reinsurance industry is the key to the insurance industry, because what happens is that an insurance company will say, "We will take the first \$1-million or \$2-million exposure, but anything over and above that, we will get a

reinsurance company to take the balance.” The reason, of course, the reinsurance people come into it is because the numbers they have to contend with are relatively small, so they can set a rate and they will get the reinsurance.

Now, when the courts started making these kinds of awards, the guys who were really fighting were the reinsurers, and the reason they were fighting is because they were the ones that were carrying the high exposure, albeit a fairly small number. But still they were at risk. So what was happening is that the reinsurers walked out of the market. They weren’t controlled in the same way the insurance companies were and, as a result, there was no reinsurance.

We had a real crisis, because we had situations in day care centres where people were working in them and sexually molesting their charges and being sued. There were cases where school boards were being sued because children were being injured playing extracurricular sports. During my tenure as the Minister of Financial Institutions, suddenly it got to the point where school boards had to close down their extracurricular programs because they couldn’t get insurance, where YMCAs had to close down because they couldn’t get insurance, where a whole range of problems erupted because someone had sort of changed the guidelines.

The Chair: Mr Kwinter, I know you were the minister at that time, and I didn’t want to break in, but I know your knowledge in that particular area on the other committee that we sit on, finance and economic affairs, on the budget. I respect your points of view. The one thing, though, I don’t understand is that these awards were never paid out in the amount of \$7 million. They were, what, under \$1 million? Why did the insurance company still keep their rates high to school boards and—I know I was involved with scouts at that time and we couldn’t have a canoe trip because of the particular cost.

Mr Kwinter: You have to understand that the awards were not overturned the next day, and what was happening is that the insurance companies were doing a couple of things. First, they weren’t writing any business, which was the big problem, because they didn’t know what their exposure was going to be. Secondly, an appeal takes time, and it was just as easy to go for the plaintiff as against the plaintiff. Of course, since that time the thing has adjusted itself, but I’m talking about sort of the crucible that we were in at that time when insurance was a major crisis.

The Chair: We exploited it.

Mr Kwinter: That’s the point I was going to make. Of course, at that time the NDP felt that here was their entrée into the public consciousness.

The Chair: Even before Kormos.

Mr Kwinter: So every day Mel Swart would get up and go after me. All he would do was talk about the great system in Manitoba and what it was doing, and every day I would say to him how bad the system in Manitoba was and that in fact it was subsidized insurance. If you’re going to subsidize it, I have no problem, but don’t hide it. I’m sure I don’t have to tell you that eventually the truth came out on the Manitoba system and the government fell on the

basis of its insurance program. That was the basis of their defeat.

To get back to it, you have a situation where the premium is set based on the predictability of what the payouts are going to be, and companies feel they make a fair return on their investment. So the question is—and this was also quite interesting and quite evident at the time that this crisis was in evidence—that in the automobile insurance sector, for every dollar it took in, it was paying out \$1.13 in claims. Naturally, the NDP critic of the time didn’t believe the figures, but they were subsequently verified, and the question is asked: “How can that possibly be? Why would anybody be in business where they take in \$1 and they have to pay out \$1.13?”

The answer is very simple. We have a situation in Ontario, as in many other jurisdictions, where it is mandatory to have automobile insurance and because of that, because every driver in that particular jurisdiction has to have car insurance, he’s got to come to some insurance company to buy it.

So here’s an excellent opportunity not only for the insurance companies to sell him the automobile insurance, where it may be losing some money, but to sell him his home owner’s policy and to sell him a life insurance policy and a business interruption policy. It’s a tremendous entrée for the insurance industry to get customers.

Of course, the other thing is what they didn’t tell us but we subsequently found out, and I’m not criticizing them for it. Of that \$1.13, there was an overhead factor and it was helping to spread the costs of running the operations.

What happened during the crisis was that companies were reluctant to take on new customers just for car insurance, because their attitude was: “Why would I take on a customer where I’m going to lose money? If you want me to give you car insurance, then I want you to buy some other insurance from me so I get a chance to—you know, what I lose on the apples I make up on the pears.” We then had a crisis where there wasn’t capacity in the industry—lots of companies but nobody wanting to take on new customers in auto insurance only.

The other problem that I think is important, because this is part of what we’re talking about in this bill, is that when the insurance rates started to go up, and they went up quite dramatically, people were saying: “I’ve been driving for 30 years. I’ve never had an accident and yet my premium has gone up. I think that’s terrible.”

The reason they were critical is they didn’t understand insurance. What happens is that the total cost of servicing the pool has to be spread among every member of that pool. Whether you’ve had an accident or not has nothing to do with it; it’s just that you are a member of that pool, and in order for us to compensate the people who are drawing on it, you must pay more money.

Then the question came up, “If I’ve never drawn on it and someone else has drawn on it a lot, shouldn’t there be some differentiation in how much we pay?” So the actuaries got to work and they said: “You know, you’re probably right. Let us analyse who it is who’s drawing on this pool.” They found out that a disproportionate number of young male drivers under 25 were drawing on the pool, far

exceeding their numbers in the pool, and they said, "Look, you guys are drawing a lot more than anyone else, so we're going to charge you more," and that has been the case. Young male drivers under 25 always pay an incredibly larger amount for insurance only because they're the ones who are drawing most of the money—I shouldn't say "most of the money"—a great chunk of the money out of the pool.

1510

Then we have another situation, and that is, there are some people who are so bad and their driving record is so bad that nobody wants to insure them, but we have a conundrum. The province of Ontario mandates that in order to drive a car you must have insurance. How do you deal with that? How do you say to an insurance company: "Here's a guy who's a terrible risk. He smashed up six cars. He's had 43 moving violations. He's a terrible risk. You must take him"?

The insurance companies got together and, with the cooperation of the government, set up what they call the Facility Association. The Facility is funded by the industry, and with government support to administer it, to look after these high-risk people. If you go to an insurance company and you can't get insurance anywhere else, it puts you into the Facility. The Facility is very expensive, but it's very expensive because the risk is very high.

What most people don't understand, and I think it's important to know, is that there are also high-risk agents and insurance companies have a whole army of people in the province selling their insurance. They will keep statistics and they will say, "You know, this guy has brought us 50 customers and every one of them has been a payoff, we've had to pay out; we don't want to write any business for this guy any more," and he's an agent, whereas they'll have someone else who will have what they consider a statistically normal number of claims.

The agent can't place the insurance because no insurance company will underwrite it, so he has an unsuspecting client who comes in and says, "I would like some car insurance." If he's an astute buyer, he'll shop. My advice at the time was, "Go out and shop around, because there is this problem." The agent can't place the insurance anywhere, so he says: "I'm sorry, I can't place your insurance. You're going to have to go to the Facility." The unsuspecting customer thinks he's the problem when the problem is with the agent. So he winds up in the Facility when there's no reason for him to be there, and that has created a problem. All of these things have got to be addressed.

What are we talking about? We are talking about a system whereby people pay into the pool. Those who have an accident draw out of it, and the private sector, which is funding all of this, is entitled to get a fair return.

Now there are some companies that are only in the automobile insurance business, that's all they write, and several of those companies have withdrawn from the market. They've withdrawn from the market because they're losing money and there's no way they can make the money; they can't afford to take the losses and offset them against some of their other business, because it gives them this entrée into this marketplace.

When you talk about the legislation that we're going to be discussing, about limiting people and their ability to withdraw from the market, you are in fact saying to an independent businessman: "You must stay there and lose money whether you like it or not, and if you want to get out of it, that's too bad. We're going to make provisions for you to continue to lose money because we say so." That is a problem. This is a business, like any other, and you have to decide.

Mel Swart used to get up and say to me, "You should bring in driver-owned insurance, government-owned insurance." Whatever euphemism you want to use to describe it, you have to understand that there's no free lunch. It doesn't matter whether the government is running it or whether the private sector is running it. Unless you put in programs to improve driver training or you put in graduated licences or any of these other things, there is not going to be one fewer accident because the government owns the insurance or the private sector owns the insurance. There is not going to be one less repair because of that.

You then have to decide, what is the role of government? I say, and I've said this before, that if the government is going to get into the insurance business, then it has to acknowledge and realize that it will be in the subsidizing business, because politically it will find it difficult to raise the rates to meet the needs of the payouts, and you will be subsidizing drivers. You're asking every member of the taxpaying public to subsidize those people who are driving cars.

My attitude was that we have long since passed the philosophical barrier as to whether or not the government should be in the insurance business. We are already into health care, we already have workers' compensation, and there's no reason why we shouldn't take the next step into automobile insurance, other than that it makes no financial sense. It's as simple as that. If it made sense, why wouldn't we do it?

As I say, it's not a philosophical kind of thing. It doesn't make any financial sense. We paid hundreds of thousands of dollars in studies to determine that, and this government found out the same thing, which is why it hasn't implemented it. It doesn't make any sense in the same way that Bill 164 doesn't make any sense. All you're really doing is responding to a political need.

The question, and one of the problems we had with this whole issue, is that people were paying a premium, \$300, \$400, whatever it was, and one year, because of this crisis that in 1985, 1986 I described, their premiums went up to \$600 or \$700 or \$800 and everybody went wild. They said: "My God, my insurance has doubled. I've never had an accident. Why is this happening?"

The problem of course is, who is to say how much insurance should be, because the insurance should reflect the experience of this pool. When you had a car that cost \$4,000 and when you had someone who was earning \$12,000 a year and was considered well paid, naturally the costs of servicing that kind of an environment were a lot less than when you get to modest cars at \$15,000, \$18,000, \$20,000 and people earning \$25,000, \$30,000, \$40,000 and not considered wealthy by any stretch of the imagination.

In order to service the financial implications of that, the premiums have gone up but people don't understand that. All they know is: "My God, I haven't had an accident. My insurance rates are going up. This is ridiculous. The government should get into the business."

The Chair: Mr Kwinter, I remember in 1984 I had a business with trucks, and any driver who would come on, the insurance company or the agent would check him out before I could hire him as a driver. They were checking people on what their driving records were at that time.

I noticed you mentioned earlier that agents were signing up drivers who were poorer risks. Did you find that as—

Mr Kwinter: No. I didn't say that. You misunderstood.

The Chair: Okay. That's why I'm just clarifying.

Mr Kwinter: What I am saying is this: There's no question that if a driver has a poor record, that will come out. They will do a check, they will find out his moving violations, they will find out any previous claims, they will do all of those things and he will get rated accordingly.

The Chair: Higher.

Mr Kwinter: Yes. The insurance companies have a rating system based on the risk of that particular driver. What I am saying is that there are also cases, and I was amazed at the number, where the driver has a good record. He had no problems. The agent he was dealing with had a problem with the insurance companies. The insurance companies would not take any of his risks because they'd had bad experience with the agent.

The Chair: With the new driver. Is this what you're saying?

Mr Kwinter: With a new insured, not necessarily a driver. But what would happen is that instead of this agent coming clean and saying to his client, "Listen, I'm sorry. I'm having problems with my underwriters and I can't get the insurance. Go see someone else, because he'll get you a deal," he would tell the person, "Sorry, I'm going to have to put you in the Facility." As I say, if the person had any kind of smarts about him, he'd say, "That's ridiculous. Why would I be in the Facility? I've never had an accident," and go somewhere else.

The Chair: This is what I didn't understand.

Mr Kwinter: Yes. But I'm just saying that, unfortunately, that was happening. People were put into the Facility, and now the studies have shown that there are people in the Facility that shouldn't be there. But they're there notwithstanding, and these are some of the things that have to be addressed to make sure that the people who are in the Facility genuinely belong there.

What happens is that this is the way the system is working. It is very simple. In Sweden they have a government plan but it's a little different. What they do is that the insurance companies are allowed to make a 3% return on their investment. That's all they make and they're quite happy to make that.

1520

In our system it's really a matter of dollars and cents. There's no free lunch. They're saying: "Someone has got to pay the cost of servicing this pool and this is what the cost is. If you want to reduce that, then you have to reduce the service, what the payout is." That's where the crux of the problem is. What you're talking about here is saying, "Okay, we're going to restrict our payouts."

I'm not telling any tales out of school, but when Bill 68 came about it was worked backwards. The way it was worked backwards was, given the crisis atmosphere of the insurance problem at the time, what would be the politically acceptable increase that everybody could live with? Whether it was 5% or 6%—I can't remember what the figure was we came up with, but we came up with a figure—they said, "Okay, if we can keep those increases at that level, then politically it would be acceptable." Then you have to work backwards. You say, "If that's the increase you want, then let us restrict some of these potential expenditures out of this pool of money." That's what we're wrestling with now.

What I'm saying to you is that notwithstanding what you may feel about the OMPP, it was an attempt to satisfy a political imperative where people in Ontario were demanding a reduction, or certainly a capping, of the rates with the kind of service they were going to get. It's as simple as that, a very simple proposition. The trick was to get the industry, the regulators and the public to buy in to what was the minimum acceptable standard that could be sold to meet those criteria.

No one, I can tell you, nobody thought this was the perfect solution, but it was the right solution, we thought, at the time. But built into that—and this is critical—was: "Let's take a look at it in two years' time. Let's see if it is totally meeting the criteria. Let's see if there can be some adjustments. Let's see what has to be done, given our experience."

What you have, and I'm trying to be as kind as I can, is a situation where if there's one single issue that identified the NDP to the people of Ontario it was its support of government car insurance. When I was out campaigning in 1987, I had bus drivers stop their bus. They'd see me on the corner and come out and talk to me. They said, "What are you guys going to do about government car insurance?" I mean, it was the one issue that crossed all party lines, I want to tell you. Your colleague from Oshawa, Mike Breaugh—

You know, Bob Rae stood up and he'd gone from 25 seats to 19 and declared it was a victory. He was the evil of the two lessers; he had 19 and the Conservatives had 15. The public support for the NDP in that election went up by 1%, but it was the one issue that identified the NDP. They had billboards. They had bumper stickers. They had one issue—Peter Kormos is there—so that people could say, if asked, "What do you know about the NDP?" regardless if they had any political awareness or any smarts at all, "The NDP is going to bring in government car insurance."

It was a telling campaign and it was the one issue that really focused attention on the party. So what happens? You get into government and you don't do it. To my mind,

if you're not going to do what you said you were going to do—I mean, I can understand that, because, as I say, I had seen all of the factor. If it had made sense we would have done it. We didn't think it made any sense, but you may think it did make sense. But I feel Bill 164 is an attempt to try to salvage some political capital: "We can't deal with Bill 68, because that would be an acknowledgement that Bill 68 is okay except for maybe some adjustments. We're not going to bring in government car insurance, because it doesn't make any sense, so let's bring in Bill 164."

What you've done is you've screwed it up, because there is nobody who is buying into this thing. It is complicating a problem, it is creating problems that weren't there and it is creating more problems than it is solving.

The parliamentary assistant, in his response to the member for Dufferin-Peel, was saying, "While we're spending these six hours debating..." and he listed all the terrible things that were happening to people out on the highways. What he didn't say is that in that same six-hour period, if Bill 164 were enacted, all these other complications would be happening at the same rate of speed, and they're far worse than the problems he's outlining.

The situation is that we have a bill that I think is poorly conceived. I don't think it addresses the problem, and I understand it's a problem. If this had an easy solution, it would have been resolved long ago. It is very difficult, but in order to resolve it, this is not the answer. As a result, my colleagues and I are not going to support it and we're not going to amend it, because it's an exercise in futility.

It is a bill that is there for the wrong reason. It is not meant to address the problem of the people of Ontario who are having problems with their insurance; it is meant to somehow or other save political face. I say to you with all respect that our time could be better spent addressing the real problems of the people who are being disadvantaged by some of the problems this purports to address but doesn't.

Again, I understand the sensitivities about Bill 68 and what people think about it, but I can tell you, from a person who lived in the crucible of the insurance crisis, it has calmed down dramatically. You hear very little about it. Most people are relatively happy. No matter what plan you have, you're going to get somebody who feels they're not quite covered, but I think Bill 68 has served the people of Ontario reasonably well. Without question, there can be some constructive changes to it, but there is built right into it the provision to do that, to take a look at it after two years and say: "What's our experience? Should we change this or do that? And let's do that." But that isn't the case. What is happening is, for strictly political reasons, you're saying, "Bill 68 is a disaster, it's terrible, it isn't doing what it's supposed to do." And what are you bringing forward? A bill that is infinitely worse. Although I haven't been at all the hearings, I have read the comments that were made, and I haven't seen a bill that has so little support.

I say to you, Mr Chairman, in closing, I think we would be well advised to address the basic problem of what we're doing here as opposed to fiddling around with particular amendments.

The Chair: Okay, Mr Kwinter, I gave you quite a bit of latitude on section 1. Mr Harnick.

Mr Harnick: Mr Chairman, I want to respond to a few of the remarks made by the member for Wilson Heights. He indicated—I think we have to put this in perspective—that there's nobody who supports Bill 164, and he's quite right about that, other than the government members who are here today. But if we put this in perspective, there weren't very many people—

Mr Winninger: Professor Trebilcock.

Mr Harnick: Well, hear what I have to say, because you may not disagree.

Mr Winninger: He supported it.

Mr Harnick: He supported it with some qualifications.

Mr Tilson: You people invited him too.

Mr Harnick: Yes, and you people invited him. You had to go out and find him. He didn't come forward on his own. Professor Trebilcock changed his opinion considerably in order to accommodate the government. At any rate, hear what I have to say, Mr Winninger, because I suspect you may not disagree with me in some respects.

Mr Kwinter talked about very few people, almost nobody, accepting Bill 164, and I tell you that no one accepted Bill 68, the Liberal predecessor, other than the insurance industry. There was not a single interest group that came forward during the Bill 68 hearings to support that bill other than the insurance industry. I know because I was here watching.

1530

But let's go back and talk about a couple of the things that my friend spoke of earlier. He spoke of the Brampton case where the young boy was badly injured and received a judgement for \$5 million or \$6 million. The Chairman quite astutely said, "But no one ever had to pay any money out for that." You're absolutely right.

The next case my friend the member for Wilson Heights talked about was a case by the name of *Borland v Muttersbach*. It's a case where there were multiple fatal injuries, and it was a claim that was made under a special endorsement form called SEF 42.

Let me explain so the members of the committee understand this. SEF 42 was a special endorsement that people had the option to purchase to cover themselves in the event that, if they were involved in an accident and the person who was at fault didn't carry enough insurance, they could claim excess coverage under their own policy. So people bought that extra protection from their own insurance company. But the wording of that section was written by the insurance industry. It wasn't written by the government. It was written and included in the policy of anybody who purchased it by the insurance industry, and the insurance industry made one heck of a mess when it wrote that section, because it didn't make it clear that if you had to call on that, it was only one claimant who got the pile of money, or that it was prorated.

What happened in *Borland v Muttersbach* is that every claimant made the claim and the court said that every claimant was entitled to it. So where the insurers felt they

had a \$1-million risk, they ended up having a \$5-million risk, and the reason they got into that problem was because of their own bad drafting. It had nothing to do with the government of the day. It was the bad drafting of the insurance industry.

So what did the insurance industry do? They got rid of SEF 42 and they created SEF 44 so they would never run into that problem again. They closed the loophole that they themselves created.

So when my friend refers to the Brampton case, I tell you that not a nickel was paid on that case, and when my friend refers to the \$5 million that was paid out under SEF 42, that was paid out totally because the insurance industry screwed up.

As a result of those two things, the insurance industry said, "We have a crisis." The insurance industry then played hardball with the Liberal government. They said, "We have a crisis. We're going broke. We've got these big judgements coming down. We can't handle it," and they put the squeeze on every consumer of automobile insurance and other forms of insurance that existed in this province. They did it to schools, they did it to playgrounds, they did it to community services and they put the screws on every consumer who had to get auto insurance.

Mr Winninger: A manufactured crisis.

Mr Harnick: Exactly. It was a manufactured crisis, because I will tell you—and I appreciate Mr Winninger's help—that if the business of automobile insurance and other forms of casualty insurance was so awful in Ontario, why has the insurance industry fought so hard to remain the carrier of automobile insurance and other forms of insurance? If the business was so bad and all they could do was lose money, they would have been happy to walk away from it. They would have been happy to have a government come along and take over their industry because it was a loser, and no bookie wants to back a loser.

But that's never happened. The automobile insurance industry has spent millions and millions and millions of dollars justifying its staying in the business. They then manufactured an insurance crisis that the Liberal Party bought into. They bought into it hook, line and sinker.

The Liberal Party that always portrayed itself as the party that looked after people, the party that looked after individuals, the party that looked after the disabled, the party that didn't deal with big business, the party that really was in it for the little guy, the party that really cared; that's how the Liberal Party portrayed itself.

What did they do when the screws were put to them by the insurance industry, as the insurance industry was putting the screws to all the other consumers? What did the Liberal Party do? They bought into a plan of automobile insurance that was the toughest, meanest, most miserable threshold no-fault scheme that existed in North America. They did it despite the Osborne commission, which told them not to do it, and despite the commission that was set up after Osborne, which told them not to do it; they did it anyway. This party that portrayed itself as the good friend of all small people, all little people, all consumers, was the party that took away the rights of innocent accident victims.

So I have to laugh, although it almost makes me want to cry, when I hear the Liberals saying: "Our plan's better than your plan. We only started to hurt the innocent accident victim. You guys are really finishing them off." I've got to laugh when I see that people are fighting about degree: "We're screwing them less than you're screwing them." It's absolutely unbelievable. Here we are sitting around this table, and I'm watching the NDP and the Liberals fighting over who's hurting the innocent accident victim less.

"We're hurting them less than you. We just took away their right to sue unless they were permanently and seriously injured, and if it's a psychological injury, they don't count any more. That's what we did. But you guys are even worse," they're saying, "You guys went one step further. You guys are going to take away the right to sue and at the same time you're going to take away economic rights. So therefore you guys," the NDP government, "are worse than the Liberal government."

You guys are tripping all over one another to see who hurt the innocent victim worse. You both destroyed the innocent victim.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): Who was in power when things went all crazy?

Mr Harnick: You know what? The Liberals started it, and you guys are finishing it off.

Mr Johnson: No, before the Liberals got here.

Mr David Winninger (London South): We're improving on the OMPP.

Mr Harnick: No, I don't think you are.

The Chair: Order. Mr Harnick has got the floor. I would use a term other than that one you used, because this could be going into schools, and we just don't want it to show up that way.

Mr Harnick: I apologize for that, but it's one of those topics I get rather agitated about.

The Chair: I know you were, so I didn't want to repeat the word.

Mr Harnick: I think about the guy who comes in to get some legal advice, a young guy who stepped off the curb and got hit by a car.

The Chair: He got hit; that's the point I want to make. That other part, it could be a legal term, but I've never heard that term being used.

Mr Harnick: You stop me when I get to that next part, because I'm coming to it.

Mr Winninger: Point of order.

The Chair: Yes, Mr Winninger?

Mr Winninger: I was hoping that Mr Harnick would talk about some of the things the Liberal government gave the insurance industry that it never even asked for.

Mr Harnick: I'm going to leave that to Mr Winninger, because he's quite right about that. As a famous New Democrat said, the Liberal government was so deep in the pockets of the insurance industry, it was spitting out lint. In

fact Mr Winninger's quite right; they did get more than they were asking for.

The Chair: I think that was Mr Kormos's quote.

Mr Harnick: I didn't know whether that was the word you didn't want me to mention.

The Chair: No, no, no, lint's nothing.

1540

Mr Harnick: At any rate, I want to tell you about the guy who steps off the curb when the little picture at the corner says that he can walk. He goes to walk across the street—the light's in his favour—and he gets hit by a car and his knee gets badly injured.

The fact is that we have good doctors in the city of Toronto, as there are elsewhere in the province, and they take this young fellow, who's in his 20s and a student at the University of Toronto, over to the Toronto General Hospital and they put his knee back together. It will never be the same knee that it was. He'll never be able to engage in athletic activities as he did, but he's not going to be stopped from pursuing his education or from pursuing a good living. He just won't be able to be, athletically, as hard on his knee as he otherwise might have been.

But under the Liberal legislation, they say that that injury has to be "permanently serious." You know, the doctors fixed him up. There's a component of seriousness, but whether a court would say it's permanently serious, whether it goes far enough, nobody knows.

He comes in to a lawyer and he says: "What can I do about this? I've got a leg that's never going to be as good as my leg would have been but for the accident." The lawyer has to say: "Well, you know, you can lose. The Liberal government took away your right. They said you're an innocent victim, and innocent victims don't matter any more unless they're permanently seriously injured. If you don't climb that mountain of a threshold, then you're out of court. You lose, and not only do you lose, but you've got to pay the insurance company's costs if you can't climb that mountain of a threshold and you go into court to try."

What's the NDP position? The NDP position is quite simply that you can take that same action and you might get \$15,000 or \$20,000, but we're going to take it all back from you. We're going to take a \$15,000 deductible. You might win, but you're going to end up with zero. Again, you're going to end up paying the costs of that big insurance company.

When I listen to the NDP and the Liberals talk about who debilitated the innocent victim more, I think it's tragic. Here are two parties that always portrayed themselves as protecting the innocent, protecting the injured, protecting the disabled, and you two parties, you two governments, are trying to say, "We hurt him less than you hurt him."

To add insult to injury, Bill 164 takes away the economic rights of innocent people. The great tragedy in all that is that you're taking money out of the pockets of the innocent to pay for those at fault. If you just sit back and think about it, the innocent person pays a premium. He pays that premium because he wants protection for himself

and for his family, and he pays it with the understanding that if he's innocent, "At least I'm going to be able to recover what my actual damages are from the wrongdoer." That's what people think when they buy their insurance. I would defy anybody in this room to tell me that's not what they think when they buy their insurance.

I don't think there's anything wrong, in conjunction with that concept, with supplying realistic accident benefits. But the level of those accident benefits has to be drawn at the point where it's not forcing innocent victims to give up what's rightfully theirs to pay for the at-fault individual. That's all anybody is asking here.

That's all those innocent people who came here and made submissions are asking; that's all Nigel Gilby was asking when he came here with a series of examples; that's all the Canadian Bar Association were asking when they came here with a series of examples of what happens to innocent victims when they are injured: Draw the level of accident benefits at a point where you're not taking the rights away from innocent accident victims.

You know, the measure of who really is the person who's going to be said at the end of the day to look after innocent accident victims, it's going to be the government that finally comes along and restores the right, as it traditionally promised to do at election time. Election time is becoming a time when you just know, as soon as the call for an election occurs, that the NDP is going to be saying, "Restore the right to sue for innocent accident victims, that's what we're going to do." You know they're going to talk about 60% funding for education. Those are all the traditional things that are issues in every election now.

The measure of whether the NDP or the Liberal Party is true to its word is which one ultimately decides to keep the promise and restore the right of innocent victims to sue instead of standing in this forum trying to best one another and saying, "We hurt innocent victims less than you did." I think that's going to be the measure of which party really looks after the innocent accident victim.

I can tell you that my party has been consistent. We say: "Take the OMPP because it has realistic levels of accident benefit coverage to look after those who are at fault. But lower the threshold so that the guy who stepped off the curb and got hit by the car and received a serious injury does not have his rights taken away from him."

It's really as simple as that, because that's a plan with a lower threshold that wouldn't be taking from and robbing the innocent accident victim to pay for the at-fault individual. What the NDP plan is doing is raising those benefits so high that they have to take another right away from innocent accident victims, and that's the right to claim economic loss to pay for the enhanced accident benefits that the at-fault motorist is going to get. What you people are doing is hurting the innocent and making the innocent pay over and over again for the at-fault motorist.

I just don't understand why you want to do that. I just don't understand. Nobody has said why they want to take money away from the innocent victim at the hands of the at-fault motorist. Why do you want to do that? Surely if you're going to pass this legislation and you're going to gut the OMPP, you owe it to innocent accident victims to

tell them why you're taking more rights away from them to pay for the at-fault individuals, to pay the at-fault individuals even more than the OMPP is paying them.

You owe us, you owe innocent victims that courtesy, at the very least, and you owe it to innocent victims to take this back to the drawing board and review it and help the innocent, because that's the promise that you made. Your promise was to help the innocent, not to take more rights away from him, not to make him buy optional coverage. Your obligation is to give him back his rights and not make him pay even more for the benefits that your new plan is giving, as opposed to the Liberal government's plan.

That's all anybody's asking. The fact that you can be so callous about it, the fact that you can get into a floor fight here with members of the Liberal Party to see who hurt innocent accident victims less or more—I don't know which causes more pride—the fact that you can do that is shameful. You're not helping innocent victims.

Mrs Mathysen shakes her head at me, but I hope, in shaking her head, she can tell me why she wants to hurt innocent people. I hope that she can tell me why she wants to take more rights away from the innocent victims than the Liberals took. Why do you want to do that? Please, help me out. I must be on the wrong wavelength. I just wish somebody from the government would tell me why you want to do that.

1550

There are a couple other issues I want to deal with. I received a very interesting letter from a woman who was involved in an accident. I'd like to read what she says, so you can understand this from the innocent accident victim's point of view. I know Ms Mathysen now is taking the chair and I want her to explain to the woman who wrote this letter why you want to take more rights away from her.

What she says is: "On July 22...I was involved in a two-vehicle accident at the intersection of Arthur Street and the expressway in Thunder Bay, Ontario.

"I was proceeding through a green light at the speed limit of 80 kilometres and wearing a seatbelt. As I entered the intersection, a supercab truck pulling a fifth wheeler made an illegal left on a red light opposite of me, crossing my path. When the car stopped spinning around after the impact, I never moved because I realized something was very wrong with my back.

"I was put in a body splint by the ambulance attendants and rushed to McKellar General Hospital where I lay in emergency for nine agonizing hours awaiting examination and X-ray results. They informed me that I had broken my back in two places, my T-12 (thoracic 12) and L-1 (lumbar 1) vertebrae in the middle of my back, and was admitted to the surgical wing. The other couple, I found out, were from Illinois here on a fishing trip and they sustained no injuries to themselves or their truck. They were charged by the OPP and went on their way. There were no apologies or inquiries made on my welfare.

"I lay in the hospital for two weeks, feeling fortunate for not being paralysed and not needing any immediate surgery—yet somewhat frustrated that my summer and my

life had been disrupted like this. During this time, my parents also took time away from the farm in Saskatchewan to travel to Thunder Bay to check on my physical condition. The next four-and-a-half months involved a brace, many days lying on my couch staring at the ceiling of my apartment, many painkillers, physiotherapy and bills having to be paid.

"Under the current Ontario laws on insurance, which are 'no fault' (aka 'no fair'), you are not entitled to sue the other party for anything, ie, loss of wages, money lost on your vehicle."

She says that her Mazda was bought for \$12,000 and she got \$8,500 for it, ended up owing \$2,400 on the bank loan after it was written off. She had no car but she had to continue making payments. Also, she couldn't sue for any pain or suffering "you may go through as a result of someone else's negligence. The only way you can sue for anything is if you lose a limb or are paralysed." That's the way she describes the generosity of the Liberal legislation.

"The no-fault system will pay only up to 80% of your wage in the event of an accident. Because I'm employed by the province of Ontario as a correctional officer, and indirectly through my benefits I'm covered 75% pay already on sick benefits, they only had to contribute 5% to make up the difference."

That's why the insurance industry likes to be in auto insurance, because it collects a full premium. It doesn't pay out anything for loss of income or pain and suffering, because you haven't climbed that mountain of a threshold. What did they pay out? They paid out 5% towards this lady's wages. And we wonder why the insurance industry fights hard to stay in the business that it tells us is making it poor.

"Because of my decent physical condition before the accident, I recovered to a workable state by December 2, 1991. At this time, I resumed my duties as a correctional officer at the Thunder Bay jail. Even though I am working again, there has already been one four-day period I could not, which was related to my injury. I put my back out folding a sweater. The doctor at emergency informed me that this would most likely happen once in a while, probably for the rest of my life, because a back injury almost always recurs.

"Because my back never gave me any problems before this accident, this becomes very frustrating. After 18 months, there isn't a day that goes by that my back doesn't hurt. It has altered my life for ever, and it's annoying that it takes three times as long to do a sink full of dishes, vacuum my house or wash the floor. It's hard to drive for long distances, especially as a passenger (as most passenger seats do not have lumbar supports) or ride horses or sleep comfortably at night. I have to continually maintain my weight, which was always easy to control before, because I exercised at a vigorous pace. Now I've had to slow down because my back just can't take it. One day of too much exercise can cause three days of excessive pain. This is frustrating, which means I have to always watch my food intake. I worry about the strain of pregnancy, if it happens, and how my back will manage that.

"Also, since the accident, my right hand has periods of unusual sensation, tingling at times, and my grip isn't as good. Of course, my doctor says he can't link it to the accident, but it never occurred before. My TM joint"—that's temporal mandibular joint—"in my jaw now clicks once in a while and has locked on occasion if I yawn. Once again, it can't be proven, but my dentist says it's most likely from the impact.

"Please don't misunderstand. I am grateful to be alive and not paralysed. I thank God almost every night for this. I just don't feel it's fair that because I was at the wrong place at the wrong time, I should have to suffer any more than the injuries that I sustained. The man that caused the accident only had to pay a \$250 fine. I've had to pay—financially, emotionally and most of all physically—for something that wasn't my fault. The insurance companies say this is 'fair.' Does it sound fair? They say that the people of Ontario want this system. Why would anyone want an unfair system? This is one person (I'm sure of many) that does not want this system.

"They have gone from one extreme to the other. I should not have to pay for someone else's mistake, just because the insurance companies of this province have been spoiled for years. They have been charging unreal premiums, but somehow forget that we pay those premiums to benefit us in case of an accident—not them. Somewhere along the line—July 1990—the Liberals brought in an insurance policy that protects the guilty, by saving them and not the victims of circumstance.

"Following is a diagram of the accident." She tells me how the accident occurred. "If there is a need for anything more detailed, please do not hesitate to ask. For pain and suffering, I cannot begin to guess at a figure for that, though I know there are stats someplace that lawyers and insurance companies have access to of precedents set for injuries such as mine.

"I was asked to write down what I really want. I want this no-fault insurance changed. And I really want the right to sue. Barring this, I would at least like to be offered a fair settlement of money that includes the actual out-of-pocket loss I have incurred."

We know that under the NDP plan, not only is she going to be in the same situation but she ain't getting the out-of-pocket loss either. So that's your contribution, to heap more misery on innocent victims.

"I'd like to thank you very much for listening to my parents and taking the time to assist me with my obvious complaint and problem. I appreciate it very much."

It's signed "Billie J. Helmka."

She's asked that she not be pestered by the government, which might want to contact her, but if you do want to contact her, you can do it through Mr Kormos, because he's the person in the NDP caucus who's perceived as being the only one who cares for innocent accident victims.

That's why I'd like to ask Mrs Mathyssen, who sits in the chair and shakes her head and kind of giggles when we talk about innocent accident victims, how do you answer this lady? How do you tell this lady that your plan is not righting the wrong of what the Liberal government did?

How do you tell this person? How are you going to deal with it?

1600

Are you going to tell them: "We're going to take away your right to sue by taking \$15,000 of your money up front, so you'll end up getting about zero. To boot, you're not going to get your out-of-pocket expenses either, because we've totally eliminated that chance"? Is that what you're going to tell her? I wish somebody in this room would tell me how you explain this to innocent victims. How do you explain why the government wants to take even more away from innocent victims than the Liberals took? You're the party that fights with the Liberals because you're both trying to best one another about who looks after the common person. How do you explain this?

I appreciate that Mr Johnson's tired and he's yawning and I'm boring him, but you're the government, you're the people with all the answers.

Mr Johnson: You've told this story 20 times.

Mr Harnick: You're the people with all the answers. I wish just one of you would tell me how you answer these questions. How do you answer an innocent victim?

Bob Rae was the person who used to go around the province with Peter Kormos and say, "It's wrong to take rights away from innocent accident victims." Bob Rae appreciated the difference between a motorist who was at fault and a victim who was innocent. What has happened to Bob Rae? Why is he doing this to innocent people? Why is he making their lesser rights pay for the benefits that at-fault individuals are going to get? Why is he raising the limits by taking money away from innocent people so that he can say at the end of the day, "We're paying enhanced benefits"? Why is he taking the money from the innocent to do that?

Please, as an opposition member I'm pleading with you, tell me what the answer is, because people are asking me and I can't answer them. Bob Rae can answer them. Go and ask him why there's no longer a difference in his mind between the at-fault motorist and the motorist who's innocent, the victim who's innocent. Ask him why it doesn't matter that one car crosses the centre line and hits another car and people are badly injured or killed and there's no longer a differential in the way we treat the innocent and the way we treat the guilty. Ask him for me, please. I want to know what happened to him. I want to know why he changed his mind.

I want to know why he couldn't go to the Sheraton Centre and talk to that same crowd he spoke to in May 1990, when there were over 1,000 people cheering because they heard a leader in Ontario say that he was going to support the rights of innocent victims. Ask him, Ms Mathyssen and Ms Haeck, Mr Winninger and Mr Klopp, Mr Johnson and Mr Hansen, and Mr Owens. Ask him why he's changed his mind and ask him why he's taking money from innocent victims to pay those who are at fault for accidents.

Nobody denies that they should get something that's reasonable, but don't give them so much that you're taking away the rights of the innocent to enhance their benefits.

Ask him, because I want to know the answer and I deserve to know the answer, as does Mr Mancini and Mr Tilson and everybody else who's come before this committee. We have a right to know why you're doing this, why you're taking more rights away from people, all in the name of enhancing benefits paid for by the innocent at the hands of the guilty. Why are you doing it?

It's not funny. It's something that deserves to be answered. This bill should not proceed one inch further, not one inch further, until those questions are answered, because this bill does not have the morality in its pages to justify going forward until you answer that question and until you tell Ray Rempel why his son would be treated worse off under this scheme than he was treated under two schemes ago. You deserve to tell him that. You owe it to him. This bill should die right now until you can answer those questions and until Bob Rae comes here and tells us why he changed his mind.

You know, I have great respect for the minister who's carrying this bill, because quite frankly, he's had a tightrope to walk. He's had a tightrope to walk because someone's changed his mind. The Premier's changed his mind, and the minister has been saddled with a task that's impossible, a task that can't be completed without hurting the innocent. I think Bob Rae should come here and Bob Rae should tell us exactly why he's done this to this minister and to the predecessor to this minister, and to the staff that toils trying to justify this immoral piece of garbage. That's what it is, and it'll remain that until you can justify to innocent accident victims why you're doing it. The bill shouldn't proceed until everyone in this room understands why it's proceeding and why innocent victims are being hurt.

I'd just like to go back, for another moment, to what we really should be talking about, and that's section 1.

The Chair: I have given all members a little bit of latitude.

Mr Harnick: I appreciate the Chairman allowing me to digress the way I have, but it absolutely burns my behind, Mr Chairman, to see your party and the Liberal party arguing with one another to see who took more rights away from innocent accident victims. I think that argument is a curse on both your parties and a curse on everybody who supports it, and I think that you should all be ashamed because none of you can face innocent accident victims and look them in the eye and tell them why you're doing what you're doing or why you did what you did.

But at any rate, I'd just like to go back to section 1. I'd like to read a letter that's been filed as an exhibit. It's dated February 8, 1993. It's from a gentleman by the name of Peter Webb, and Peter Webb needs no introduction to anyone in the insurance field. He is probably the dean of insurance law in the province of Ontario. He probably knows more about insurance law than anyone in this province, and I say that almost without hesitation, Mr Chairman.

In his letter of February 8, 1993, he talks about the weekly benefits under the no-fault benefit or accident benefit or statutory accident benefit schedule that's referred to in section 1. I'd just like to read what he says. I'm not going

to read the whole thing; I've probably gone on too long as it is.

Mr Tilson: Oh, no.

Mr Harnick: But he says: "The provisions relating to compensation for loss of income are a horror of complexity," and I can tell you, if Peter Webb doesn't understand this material, people like Charles Harnick and David Tilson and Remo Mancini and even Mr Winninger couldn't understand this.

Mr Winninger: Even me?

Mr Harnick: Mr Winninger is on the side of the government, which has all the minions of people who explain it to him. We don't have that luxury, and I can tell you that if I called Peter Webb and he told me he couldn't explain it to me, I'd be in real trouble, because as I said, Peter Webb is the dean of insurance law in this province. There's no one who knows more about automobile insurance law than Peter Webb.

He says, "The provisions relating to compensation for loss of income are a horror of complexity." He doesn't just say they're complex; he says they are "a horror"—H-O-R-R-O-R—"of complexity."

1610

The Chair: That word is acceptable.

Mr Harnick: I hope by "acceptable" you mean that you agree it's a horror of complexity. If you do agree, as Chairman and a man of great stature on this committee, you'll go back and tell these minions of people who are responsible for this horror to correct it, to pull it, to hoist it before it's dropped in the laps of the consumers of this province.

He goes on to say:

"In addition, the limit of \$1,000 per week falls far short of what many persons, including myself, would suffer in the event of total disability. Given that the persons who are proposing this legislation have decided to ignore the rights of such persons, it is inconceivable to me that they would not at least require the automobile insurers to provide optional coverage to their own insureds in excess of the \$1,000 limit.

"At my age of 65, if it were not impossible it would be prohibitively expensive for me to obtain a standard disability policy which covers all manner of accidents and illness. All that I would want is coverage for loss of income as a result of injuries in a motor accident. Such coverage would surely not require a medical examination, and I would not expect age to be a factor. In view of the limited nature of such coverage, it would be far less expensive than a standard disability policy. Can you inform me why the right to obtain such insurance has not been included in the proposed legislation?"

I ask you, and I ask all the members of this committee, you're the people who represent the government, you're the people who are here to justify this legislation to Mr Webb. He pays taxes, he's a citizen of the province of Ontario and he's crying out for help. The letter was written on February 8. It's now a week later. Have one of you sat down with a pen and paper and written to Mr Webb and asked him for more information if you need it to be able to

reply to him? Have any of you sat down and tried to write a letter to Mr Webb to tell him what you were doing in this regard to protect his economic loss in the event that he personally was injured in an accident? I'll bet you that not one of you people have even read this letter. It's there and it's an exhibit and it has been in your possession.

Let me go on to tell you what he says about fatal accidents. Again, Mr Chairman, I'm talking about the accident benefits schedule, which is what we're talking about in section 1, so I know you'll agree that I'm right on topic. I want to remind you and I want to remind Mr Winninger, who may not have been in the room when I brought this letter up, it's a letter from Mr Peter Webb, dated February 8, 1993. Mr Winninger would know Mr Webb, by reputation at least, as probably the most senior insurance lawyer in the province of Ontario.

Mr Winninger: I've seen his letter.

Mr Harnick: I knew you'd know him by reputation. In my estimation, there is not a more capable and more knowledgeable person when it comes to the issue of automobile insurance than Mr Peter Webb. He's given his phone number.

Mr Winninger: What about Bert Raphael?

Mr Harnick: Peter Webb and Bert Raphael are probably in the same class as the most senior insurance lawyers in the province of Ontario today. Peter Webb has given his phone number and I urge Christel Haeck and her compatriots to maybe give Mr Webb a call. You might learn something about auto insurance and you might learn why this bill is a bad bill, because I can tell you that people like Bert Raphael and Peter Webb know a whole lot more about automobile insurance than the people who wrote this legislation. The people who wrote this legislation probably are not capable of carrying Mr Webb's bag to court, quite frankly. Here they are writing the legislation and leaving Mr Webb out in the cold.

But let's see what the dean of insurance law says about fatal accidents. He says, "The limit of \$200,000 in the case of fatal accidents is, to my mind, the most frightening provision in the proposed regulation." Now, I remind you that three paragraphs earlier he talked about the horror of the complexity of the regulations. Now he's talking about this as being even more frightening. "I assume that the government knows that, in many cases, this sum will compel the dependants of a deceased breadwinner to live in poverty or close to it, to say nothing of the lost opportunities for education of young dependants. Therefore I urge you to require the government to disclose what studies it may have to justify the sum of \$200,000, particularly in the case of families of young breadwinners who had an expectation of many years of assistance from a father or mother." Listen to those words.

Let me tell you, let me tell every person in this room, that even the Liberals said, as they were taking rights away from innocent victims, "For God's sake, a fatal is different." If you're involved in a fatal, you've automatically crossed that threshold. You can't put people on welfare lines. You can't make them go and live in subsidized housing. I know that Ms Mathysen doesn't like this. I

know that Ms Mathysen believes everybody should be in government housing. I know that's what she thinks.

But the reality is, people don't want to be in government housing. People want their children to have all the opportunities that they believed in. But with this piece of legislation, \$200,000 will relegate a family of four to poverty. Is that what you want? Even the Liberals come out ahead of you people on this score. Is that what you want, a scheme that doesn't permit a family to have, if they're innocent, if their loved one and their breadwinner and their spouse and their father or mother was killed, you wouldn't want to be able to tailor to that family's actual loss what it really would have been like? Are you saying that you want to take that right away from that family? I can't conceive of it. I can't conceive that Mr Winninger would want to make a family of four lose a breadwinner and only receive \$200,000 maximum, maximum.

Mr Winninger: What about life insurance?

Mr Harnick: Well, you know, Mr Winninger, life insurance is something that a lot of people don't have. A person who's earning \$45,000 a year and has a spouse and two children may only have a policy of life insurance that's \$100,000.

Mr Winninger: And we look after them.

Mr Harnick: Well, you look after them—

Mr Winninger: We may not look after the Charles Harnicks.

Mr Harnick: You know how you look after them, Mr Winninger? You look after them by sending them to a life of poverty, a life of government assistance.

Interjection.

Mr Harnick: Mr Winninger says that's not what Bill 164 does. Let me tell you, Mr Chairman, that a breadwinner, aged 35, with a spouse and two children, who's earning \$45,000 a year, will qualify under this legislation for an award of less than \$120,000. That's what's going to happen.

If the person who qualifies for that award is the guilty party, I can live with that. But I can't live with that in terms of the innocent party, because the innocent party, by having that right taken away from him, is forced into the position of paying so that the guilty party can receive \$117,000. You know what's going to happen? Everybody's going to be living a life of poverty: \$117,000 representing \$45,000 a year for a person who's got 30 more years of income-earning capacity, and you're going to give them \$117,000 when they're innocent.

1620

For God's sake, get Bob Rae down here to explain why that's right, because I haven't heard the answers from you people, I haven't heard the answers from the parliamentary assistant, and I know that you can't believe in this stuff. You're here, you're occupying a seat and you're doing what you're told, but only Bob Rae can tell us why he's doing this.

I would like to know why Bob Rae wants to relegate a family whose breadwinner has been killed—killed, do you know what that means? It means he's dead or she's dead.

They're not there to look after their family any more. They've got a mortgage. They've got car payments. Where's the money going to come from? They might take that \$117,000 and use it to pay the mortgage and to pay for the car, but they're not going to have any money left over to pay for the groceries, unless social assistance is where you want them to be.

Mr Winninger says, "Well, there's life insurance." There are teachers in this province who make \$45,000 a year. They get \$100,000 in life insurance as part of their employment package. Let me tell Mr Winninger that \$217,000 for a person making \$45,000 a year with a 30-year worklife expectancy is a pittance. I hate to use this word, but it's niggardly.

Mr Owens: That's disgusting.

Mr Harnick: That's right, it is disgusting, but that's parlance that you read in books like *Huckleberry Finn* and *Tom Sawyer*, and it's in the dictionary. It's so disgusting that the only way I can use that word is in relation to this particular piece of legislation, because this particular piece of legislation is the most disgusting piece of legislation that I could ever imagine. When the parliamentary assistant agrees with me that it's disgusting and agrees that it's disgusting to treat a family that way—

Mr Johnson: You say that about every piece of legislation.

Mr Harnick: I don't feel for every piece of legislation like I do for this, because I'll tell my friend Mr Johnson that when a family comes into my office—I make no bones about it; I still practise law, and I'm proud to say that, and I still spend full days at this Legislature, and I still get into my constituency as much as any of you do.

Mr Johnson: What does that have to do with anything?

Mr Harnick: Mr Johnson, when you have to sit across the table from a family whose breadwinner has been wiped out through no fault of his own and you have to explain to that family that all they're going to get is \$117,000, because that's what the NDP delivered on its promise when you voted for it, it makes my heart cry out because I see in front of me a spouse and a couple of children who are human beings.

It may be hard for you to believe, but I've spent my life making a damned good living, and I'm proud to admit it, looking after people who have been injured and seriously injured in accidents. I've done my best under whatever system exists to put them back together. I'll tell you something, buddy, you're not making my job any easier when you present me with a piece of legislation like this and I have to try and put people's lives back together, because that's what I do for a living, and I'm proud of it. I'm proud of the people I've helped along the way. I'm proud of the fact that I've been able to make a good living at it.

Mr Johnson: Conflict of interest.

Mr Harnick: If all it is to you is a conflict of interest, that's fine. There's not a person in this Legislative Building who knows more about automobile insurance than I do. I'll tell you something else: There's not a person in this

building, and I say this including the NDP side, who has had to deal with families that have been bruised and battered and upset because they've been in car accidents. Some of the people I've looked after can hit awfully close to home sometimes, and I'll tell you what they go through as a family.

If you think that's a joke, and if you think you're helping me put lives back together by presenting a piece of legislation like this, for goodness' sake, give me back the OMPP any day. At least there I had a fighting chance. At least there the table was almost equal. At least there I could help those who were seriously hurt who would never get better, who didn't have merely an interruption of three or four or five years of their life and their earning capacity. But here you're destroying everything.

Mr Winninger: You still can; you just don't get economic loss.

Mr Harnick: Mr Winninger says, "You still can; you just don't get economic loss."

The Chair: Mr Harnick, don't eavesdrop on the other side there.

Mr Harnick: No, they say it loud enough so that they can be sure I hear it.

The Chair: I can't quite hear them.

Mr Harnick: If Mr Winninger's idea of putting people's lives back together is taking \$15,000 from the innocent so that the guilty, so that those who are at fault, so that the drunk drivers can go ahead and get enhanced accident benefits, you know what I say? I say that's sick. That's a warped mind. That's just sick.

Mr Winninger: You'd penalize the family of the drunk driver, would you?

Mr Harnick: You know what? I don't penalize them. I ensure that under the OMPP he's getting reasonable accident benefits, but I'm not going to take the money out of the pocket of an innocent victim to give it to the drunk driver so that the drunk driver—

Mr Winninger: Or his family.

Mr Harnick: —walks away at the end of the day.

The Chair: Order. Mr Harnick, would you get back to—

Mr Mancini: The schedule of benefits.

The Chair: —the schedule of benefits.

Mr Harnick: It's all in the schedule of benefits.

Mr Tilson: Right on.

Mr Harnick: Let me read it again. Let me read what the dean of insurance says. He says, "The provisions relating to compensation for loss of income are a horror of complexity." He then goes on to say, "The limit of \$200,000 in the case of fatal accidents is, to my mind"—and his mind is the mind of the dean of insurance law, far greater, in terms of knowledge and understanding, than that of Mr Winninger or of the minister, or of the Premier for that matter.

Mr Winninger: Or Professor Trebilcock, who has no financial interest?

Mr Harnick: You know what? Way more than Professor Trebilcock, because Professor Trebilcock probably would trip over the threshold door of the courtroom if he had to go in and try to protect a family. Peter Webb wouldn't trip over the door. Peter Webb will just tell you, "The limit of \$200,000 in the case of fatal accidents is, to my mind, the most frightening provision in the proposed regulation."

Professor Trebilcock didn't come here on his own. He didn't volunteer. He was phoned by the minister and asked to come here. I know that for a fact he was asked to come here.

Mr Mancini: How did that conversation go?

Mr Harnick: I think it went sort of like this, Remo.

The Chair: He was using a cellular phone then.

Mr Harnick: The phone rang and Professor Trebilcock picked it up and found a minister or probably even a parliamentary assistant on the end saying, "Professor, we're really desperate here and we know you've dabbled in no-fault studies."

Mr Tilson: "We need help."

Mr Harnick: "We need some real help. You know, the Premier's been a good friend to the University of Toronto over the years and he's a graduate of that school. We need help. Look, we know that you have to manipulate some of your writings and some of your thoughts a little bit because you never believed before you appeared or were about to appear that it was right to take away economic loss, but if you can just sort of manipulate that a little bit, you sure can help us out."

Mr Mancini: I assume the conversation went like that.

Mr Winninger: I think he's losing it.

The Chair: Mr Harnick, could you get back to reality again, please?

Mr Harnick: The reality is that when Peter Webb says, "The limit of \$200,000 in the case of fatal accidents is, to my mind, the most frightening provision," you know what I think about Professor Trebilcock? I say, "Boy, just once let Professor Trebilcock say: 'I was the person who came over from the U of T to help my friend Bob Rae and to help the minister when they asked me to come over. I was the person who helped set that \$200,000 limit so that we could be fair to everybody, so that you, a family that's lost your breadwinner, the most you're going to get is \$117,000.'" I'd like to see Professor Trebilcock sitting in a room with that family and I'd like to see him justify what he did and justify these numbers.

1630

The Chair: I think we're going a little too far there on his reputation. He was a witness.

Mr Harnick: That's right, he was. He was a witness, and witnesses—

The Chair: I think we shouldn't wind up discussing any witnesses in that manner.

Mr Harnick: I understand your point.

The Chair: You might have a difference of opinion.

Mr Harnick: I have the greatest respect for Professor Trebilcock as a professor and as an academic, but Professor Trebilcock has never had to deal with injured people. He has never had to deal with a family which has been devastated by the loss of a breadwinner.

What about a husband and wife driving along on a Saturday evening, coming back from a social event—

Mr Tilson: Honey Harbour.

Mr Harnick: Maybe they have been at Honey Harbour for a conference. They're on their way back to Toronto and they're involved in an accident when a car crosses the centre line of the highway and hits them head-on and they're both wiped out. What's going to happen to those children? Where are those children going to find the financial wherewithal? They're innocent. They're innocent people.

The Chair: Maybe one farther: that the one gentleman had a heart attack driving and didn't have life insurance.

Mr Harnick: If the gentleman who had—

The Chair: I'm just hearing your response back on that one.

Mr Harnick: Maybe the gentleman who had the heart attack driving and couldn't keep his vehicle under control had a condition that said maybe he shouldn't have been driving to start with. You know what he would say if his—

Mr Johnson: He's dead.

Mr Harnick: Let's assume he didn't die. Let's assume—well, we'll take the—

The Chair: I said he died. He had a heart attack and died.

Mr Harnick: Do you know what his widow would say if that vehicle crossed over the road and killed a husband and wife who had two small children at home? Do you know what she would say? She would say, "Thank God I had insurance to pay to look after those kids, because they were innocent." That's what responsible people say and that's why they have insurance. They have insurance not only to protect themselves, but so they can say, "I was responsible, and thank goodness I had insurance so that the damage I caused at least could be repaired and these people could be put as close as possible to where they otherwise might have been by a sum of money, and be looked after."

Mr Winninger: On a point of order, Mr Chairman: What about the wife and two small children?

The Chair: That's not a point of order. I know the Chair interrupted there. It wasn't the Chair's position either but—

Mr Harnick: The wife and the children of the heart attack victim are going to get no-fault benefits. They're going to get no-fault benefits, but they're not entitled to as much as the innocent victims. Mr Winninger cannot understand that. He won't understand that. I hope he's never the innocent victim of an accident, because he'll admit at that time that I was right and he was wrong. He'll admit it. He'll admit that.

Before I was interrupted by a point of order that wasn't a point of order—

Mr Winninger: I'm sorry. I thought it was. I stand corrected.

Mr Harnick: No, points of order come out of the rules. If it's not in the standing orders, it's not a point of order. You've been here a couple of years—

The Chair: Carry on, Mr Harnick.

Mr Harnick: —and you should know that by now.

Mr Winninger: I was just following your shining example.

Mr Harnick: No, I don't say, "Point of order." I just blurt it out. I don't want to mislead people. When it's a point of order, it's in the rule book.

Mr Winninger: You just interrupt.

Interjections.

The Chair: Order.

Mr Harnick: It's interesting when people put to me the proposition of, "Well, what about the guilty party?" The reason people carry insurance is because in the normal course of things, if someone does something wrong in our society, if someone is negligent, if someone hurts another person, be it in an economic sense or be it in a physical sense, if it can be proved that he did something wrong, he has to pay for that wrongdoing in the form of damages and in the form of money.

That's a basic concept to our society and that's why we have order in our society. That's why we don't have people interfering in an economic sense with other people's businesses. If they could do that with impunity, they would do that because they would make more money. But we have certain controls in our society that have developed over years and years, and one of those is that if you harm your neighbour and your neighbour can prove that you were negligent, you're entitled to damages.

In terms of automobile insurance, there was a day when you didn't need insurance, because cars didn't go very fast and there weren't very many of them on the road. People drove, and if they got into accidents and harmed someone else, they were personally liable if it was their fault. As society became industrialized and we had more and more accidents, as Mr Kwinter said quite rightly, insurers knew they could make a buck by being the bookies, and that's a perfect analogy. They knew they could make a dollar by going ahead and laying off the risk, and that's why insurance stepped in to pay for people who caused harm to one another by their negligence. That's all that happened.

What you're doing by Bill 164 is taking this basic concept by which we live and totally obliterating it. You're totally obliterating it. You're saying that if you're in a car and you cause somebody damage, you don't have to pay. You're no longer responsible. If you're in a boat and you cause somebody damage, you're responsible. If you harm somebody's business, you're responsible. If you decide to dig a hole in front of General Motors and you hit the cable that supplies the power to go into the factory and General Motors is closed down for a week because they've got no

electricity, you're responsible for that. You're responsible for the damage you cause, be it economic, be it physical, be it mental. You're responsible for that damage.

What you are doing is, you are changing a basic precept of the way society operates. You're doing it, and in the course of doing it, you're giving as much to the person who's at fault as to the person who's innocent.

There's nothing wrong with ensuring that the person who's at fault is properly and decently looked after. The OMPP tried to do that. For all my criticisms of the OMPP, the OMPP tried to do that. But you are going further. You're raising those benefits, you're giving the at-fault motorist even more and you're paying for it out of the pocket of the innocent victim.

I can't strongly enough suggest that what you're doing is morally wrong. It's morally wrong, and the Premier, who I knew in a totally different capacity before I came here, agreed with me. The Premier knew it was morally wrong, and if you ask him today, if you ask him the way he believed before he became the Premier, he will tell you. He will tell you that's exactly what he believed. You can't take away from the innocent victim in order to pay the person who's at fault. You can ask the Premier that. I invite every one of you to go and ask the Premier that.

The Chair: Mr Harnick, you've already gone through that. You're repeating yourself.

Mr Harnick: I'm sorry about that.

The Chair: I know the time's getting late.

Mr Harnick: It's almost my bedtime, sir.

At any rate, I'm very, very concerned about what you're doing to innocent victims, and you know, when you talk about accident benefits, and Mr Winninger, who's so concerned about making sure that the at-fault person receives as much or more than the innocent victim, I can't conceive of your concern being legitimate and honest when you provide both the innocent and the at-fault individual with a complex set of regulations like the regulations that form part of this act.

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It's very regrettable that accident benefits are part of the regulations and that we can't go through those regulations clause by clause, because it may well be that we could improve them to the point that they were understandable.

Everybody thinks we're here wasting time and talking about insignificant matters, but the fact that subsection 1(1), clause (a) and clause (b), and subsection (2) deal with statutory acts and benefits and the schedules is the only opportunity we as a committee will have to deal with the regulations, because they're found in these accident benefits—or the accident benefits are found in the regulations. That's the only opportunity we as a committee are going to have to deal with the regulations and that's why the debate we've been having for the last two days is so important.

People may say, "All you're doing here, Mr Harnick, is wasting time; you're filibustering." Well, I don't find this a waste of time and it's not a filibuster. This is the only opportunity we as a committee are going to have to deal with the regulations, because they're not before us. Only

the bill is before us. Only this section permits us the opportunity to talk about the regulations and that's precisely what we're doing.

Those regulations are some 68 pages long. The fact that we spent a couple of hours yesterday afternoon and today to talk about the 68 pages of regulations, which are far more significant to consumers of automobile insurance than the bill itself, is not something I think anybody should find to be untoward. There's nothing untoward about that.

We have to deal with these regulations and I know that in the subcommittee meetings we urged the government to permit us the opportunity—and I know it's unusual; it's not the usual way things are done around here—to deal with the regulations before this committee just as we are dealing with the bill. But we were denied that opportunity and in fact we never got to deal with the regulations on a clause-by-clause basis, and I gather we're never going to. These are things that the government—

The Chair: Mr Harnick, we're trying to get through section 1 here first.

Mr Harnick: I'm right on topic. I'm right on topic because you see, sir, section 1 talks about no-fault benefits; it talks about statutory accident benefits and all of those benefits, Mr Chairman, are found in the regulations.

That's why this debate is important, because section 1 is the only opportunity we have to deal with the regulations and the regulations are the guts of what are going to affect every insured individual in this province. That's why the debate we've had in the last day and a half is so important, because the parliamentary assistant wouldn't permit us to file the regulations and deal with them on a clause-by-clause basis as well.

I remind this committee of what Mr Cooke said when he appeared in Hamilton, dealing with these accident benefits. He said, "Lower the threshold." He represents the Dominion of Canada, probably the biggest Canadian-owned insurer in the province right now. What he said was: "You can lower the threshold of the OMPP and the insurance industry can live with that. Lower it on a verbal basis and you'll be doing the right thing." But he said: "You don't have to rush into changing the regulations. You can do that over a period of time. You can do that gradually. You can do that in a way that would be far less complex."

Once you make the change to Bill 164 to lower the threshold, which is something I think you want to do, because I think you want to at least be able to walk out of here at the end of the day and say, "To some degree we kept our promise to the electorate and we gave back the right to sue," but if you merely lower that threshold in a verbal sense, the regulations can be looked at on an ongoing basis. The insurance industry, the lawyers, the rehab consultants, the Advocacy Resource Centre for the Handicapped can all have input into the day-to-day development and change in the regulations, in the statutory accident benefits schedules or, as they're now called, in the no-fault benefits.

But Mr Cooke was quite clear. He said, "If you don't want another crisis in the insurance business"—and you know, the member for Wilson Heights and I started this

debate by talking about the insurance crisis. One of us, and I think legitimately—I respect what he says—believes that it was real. I believe it was real to a degree and manufactured to a greater degree.

Mr Kwinter: In hindsight.

Mr Harnick: That's in hindsight. I agree with that. Once we have time to reflect and to review—and I'm glad he said that, because I suspect his party very much believes that today and very much regrets the high threshold that it's chosen. But at any rate—

Interjection.

Mr Harnick: —and you know, you can be cynical about that, Mr Klopp, but it's hard to be cynical about it when what you're doing is worse. It doesn't sit well on you to be cynical about the Liberal bill, because what you're doing is worse. That's why your cynicism is ringing hollow, because what the NDP is doing is worse than what the Liberals did. But at any rate, we started this argument talking about—

The Chair: I was listening; I wasn't arguing.

Mr Harnick: Mr Cooke has given us a method to avoid what a number of the deputants who came before this committee have said is ultimately going to happen, and that is another insurance crisis. This one, I tell you, is going to be real, it's not going to be perceived and there's not going to be any hindsight necessary to know what's happening. Mr Cooke has given you a very realistic way out of your difficulties.

Put the brakes on the regulations. Put the brakes on the statutory accident benefits and proceed with the bill itself. Lower the threshold. Lower it in a verbal way so that you can be responsive to what the lawyers said, what the victims said and indeed what the insurance industry said, and put the brakes on the regulations.

There are better ways to handle the regulations. They don't have to be done this second. They can be done over time, and if they're done over time, they'll be done right. They'll be done with consensus. The experts in each area will tell you the best way to deal with them.

When we talk about rehab, the experts in the rehab field will tell you, "Here is the best way to deal with rehab under the regulations, under the statutory accident benefits or the no-fault benefits." I want the Chairman to know that's what clause 1(1)(a) and (b) and subsection 1(2) are all about.

Then we could go ahead and deal with issues such as weekly benefits, and by doing that we can see where you have to draw the line, so that in order to give a decent amount of money to those at fault we wouldn't be going beyond the line and taking money from innocent people to pay for those who are at fault. We'd know where to draw that line and we could develop that properly over a period of time.

We could allow all those who cross that lowered threshold the right to claim for their pain and suffering and for their economic loss. That way, all of the criticisms of this bill could be answered. We could go to section 24 of this act and we could make those corrections right now. This bill, I tell you, would go through this committee—I

don't want to use a crude expression—quickly and we would be out of here by Thursday afternoon. It would be done.

1650

You could walk out of here with a measure of respect and say: "We tried to keep our promise as best we could, given the constraints of premium costs that exist. We've been responsive to what the victims said, we've been responsive to what the insurance industry said and we've been responsive to what the victims' representatives said."

That's what you can do, and you can develop these regulations in a way that would be proper for consumers. In the meantime, you'd have a system that's up, running and working and that wouldn't be leading towards another insurance crisis. Because that's where you're going, that's exactly where you're going.

I think that it's very important for the government to say in the next 24 hours: "There's a way out of this mess. There's a way out of this dilemma we've put ourselves in. There's a way to get this bill through that committee so that we can walk away at the end of the week and say, 'We kept our promise.'"

That promise has to mean something to you people. You went door to door telling people about it. You got elected because of it. I'll tell you, the closer you were to the riding of Welland-Thorold, the more votes you got because of auto insurance. I think some of you are relatively close, as I cast my eye around the room. London isn't that far from Welland-Thorold. I tell you that the things Peter Kormos said in Welland-Thorold were heard in London and Middlesex.

Mr Winninger: They echoed around the world.

Mr Harnick: They were heard in Windsor and they were heard in St Catharines. They were probably heard in Prince Edward county.

Mr Johnson: No, I ran on the environment.

Mr Harnick: You ran on the environment? I think those people in Prince Edward county, seeing your record on the environment, probably won't elect you again next time. You better find something different to run on next time, because your record on the environment—

The Chair: Mr Harnick, could you get back on subject again. I just want to get the record straight. I did vote for Peter Kormos because I lived in Welland at that time.

Mr Harnick: And you know one of the reasons you voted for him?

Mr Hans Daigeler (Nepean): Are you going to do it again? That's the question.

The Chair: I live in Lincoln now; I moved out.

Ms Haeck: He moved. He's a smart man.

Interjection: I thought you were for the Tories.

Mr Harnick: I don't think they were particularly worried about the Tories, with the NDP coming off a huge majority. I think, Mr Winninger, the Tories were the furthest thing from your mind when you were running in London. They are going to be the closest thing to your mind next time you run, because that's probably how you're going to be unseated. You're going to be reminded—

Mr Winninger: You're dreaming in Technicolor, Charles.

Mr Harnick: You're going to be reminded, Mr Winninger—

Mr Klopp: Are we back to section 1 of this bill again?

Mr Harnick: —of the fact that the accident benefits schedule that's in section 1 is not what you promised in 1990. It's not even close. What you promised to innocent victims bears no resemblance to this dastardly piece of legislation. I tell you, the closer you were to Welland-Thorold, the more votes you got. I'll bet you that Peter Kormos got Christel Haeck, running down there in St Catharines, more votes than she got for herself. You know that?

The Chair: Let's get back to reality and talk about section 1.

Mr Tilson: I think this is interesting. I want to hear more of it.

Mr Harnick: I'll bet you that the accident benefits schedule Peter Kormos was talking about got her more votes than she got herself. That accident benefits schedule was so deadly, the one that you were talking about in 1990 as opposed to the one that's in this bill, that Mr Bradley, also from St Catharines, had an awful time winning. Mr Kormos siphoned so many votes away from him because of the promised auto insurance scheme he had that Mr Bradley almost lost his seat.

I don't think that will happen to Mr Bradley next time, because nobody is going to believe the NDP candidate who's running in that riding. They're going to say: "You know, that guy told us a pack of lies last time. He just was a big capital-L liar."

The Chair: I—

Mr Harnick: That's what they're going to say about that person. "The auto insurance scheme he told us about last time isn't the one that we got, so we're never going to vote for that bunch of people again, because they did not tell the truth."

Mr Tilson: He's referring to the NDP as a whole.

Mr Harnick: They didn't tell the truth. How can you elect people who don't tell the truth? Is it right to tell people that you're running on one accident benefits schedule and deliver another one? Is that right? Is it right to say, "Well, you know, I changed my mind when I got to Queen's Park because I think I found a better method"? Is that right?

I remember a day when Bob Rae used to call people liars for doing things like that. He used to call people liars.

Mr Tilson: Made headlines.

Mr Harnick: Made headlines during an election campaign. He called David Peterson a liar.

The Chair: Has this got anything to do with section 1?

Mr Harnick: I'm coming right to it. David Peterson promised an accident benefits schedule and he delivered on his promise. He didn't lie. He just delivered a terrible piece of legislation. He got thrown out and you were

elected because you were going to do something that was totally the opposite of David Peterson, and now what you're doing is something worse. Your Premier had the gall to call David Peterson a liar. Can you imagine something so unparliamentary, Mr Chair? If I called—

The Chair: You're on a tightrope in here, I can tell you.

Mr Harnick: If I called any member in here a liar, you would send me to the corner again.

Mr Tilson: Or the tent.

Mr Harnick: Or the tent.

The Chair: I checked to see what kind of shoes you had on. You're on a tightrope. Mr Harnick, you've got two minutes to sum up, or are you ready to go tomorrow again?

Mr Harnick: I think I'd like to hold the floor till tomorrow. Do you know why? I think tomorrow I'm going to bring in some case law dealing with accident benefits schedules, and I think we should really talk about some of those cases, so I can show you that even though you put something in a schedule called no-fault benefits, statutory accident benefits or accident benefits, whatever you're

going to call it or however you're going to camouflage it, it does not lead to what the minister said would be automatic payments.

Nothing in life is automatic, but the last thing that should be automatic is taking rights away from innocent people. It should be fundamental, particularly in a social democratic government, that those who are innocent victims, who are hurt and disabled, whose families are devastated by fatalities, are going to be fairly looked after by social democrats, not looked after and made impecunious, not made to go on welfare rolls, not made to seek government housing because all they got was \$117,000 for a breadwinner who wasn't at fault for an accident.

The Chair: Okay, Mr Harnick, you have the floor tomorrow at 10 o'clock. We're going to start sharp.

Mr Mancini: Mr Chair, can I request that we secure the room so we can leave our documentation here?

The Chair: Okay. This committee is recessed till 10 o'clock tomorrow. Mr Harnick's up, and I hope to see you at 10.

The committee adjourned at 1700.

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***Acting Chair / Présidente suppléante:** Haeck, Christel (St Catharines-Brock ND)

Vice-Chair / Vice-Président: Sutherland, Kimble (Oxford ND)

Caplan, Elinor (Oriole L)

Carr, Gary (Oakville South/-Sud PC)

Christopherson, David (Hamilton Centre ND)

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Phillips, Gerry (Scarborough-Agincourt L)

Sterling, Norman W. (Carleton PC)

Ward, Brad (Brantford ND)

Wiseman, Jim (Durham West/-Ouest ND)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

Dadamo, George (Windsor-Sandwich ND) for Mr Wiseman

Daigeler, Hans (Nepean L) for Mr Phillips

Haeck, Christel (St Catharines-Brock ND) for Ms Ward

Harnick, Charles (Willowdale PC) for Mr Sterling

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Christopherson

Klopp, Paul (Huron ND) for Mr Jamison

Mancini, Remo (Essex South/-Sud L) for Mrs Caplan

Mathysen, Irene (Middlesex ND) for Mr Ward

Owens, Stephen (Scarborough Centre ND) for Mr Sutherland

Tilson, David (Dufferin-Peel PC) for Mr Carr

Winninger, David (London South/-Sud ND) for Mr Wiseman

Also taking part / Autres participants et participantes:

Owens, Stephen, parliamentary assistant to the minister responsible for automobile insurance review

Simons, Craig, legal counsel, automobile insurance review, Management Board of Cabinet

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel: Beecroft, Doug, legislative counsel

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Wednesday 17 February 1993

Journal des débats (Hansard)

Mercredi 17 février 1993

**Standing committee on
finance and economic affairs**

Insurance Statute Law
Amendment Act, 1993

**Comité permanent des finances
et des affaires économiques**

Loi de 1993 modifiant les lois
concernant les assurances

Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 17 February 1993

The committee met at 1014 in committee room 1.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993

LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Chair (Mr Ron Hansen): Good morning. This is day three on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. Mr Harnick, you have the floor from yesterday; go ahead.

Mr Charles Harnick (Willowdale): As I was saying yesterday, this is a very important debate because it's our only opportunity to debate what really are the heart and guts of this piece of legislation, and those are the regulations. The bill itself is not overly complicated. It doesn't contain a great deal of significance in terms of its content.

The Chair: Mr Harnick, I just want to cut in. We're on section 1, clauses (a) and (b), and subsection 1(2).

Mr Harnick: That's exactly what I'm talking about. Mr Chair, I want you to know that clauses 1(1)(a) and 1(1)(b) and subsection 1(2) deal with no-fault benefits schedules, they deal with statutory accident benefits schedules and all of those schedules, as I was saying yesterday, are not the heart and guts of Bill 164. What those terms refer to are the regulations that are made under the Insurance Act that deal with statutory accident benefits for accidents on or after the date this act comes into force. If I can refer you to the ministry's January 1993 revised draft regulations, that is what section 1 refers to. That's what this bill is all about.

We've heard from virtually every single witness coming before this committee saying that the 68 pages of draft regulations that are referred to in section 1, which is what we're debating right now before this committee, are what section 1 is all about. We can't really deal with this subject and debate section 1 properly unless I ask my fellow members of the committee to refer to those sections in the regulations.

I just want you to start, if you can, Mr Chairman—I know you'll want to follow this along just to make sure that I'm on topic. What I'd ask you to do is please refer to your regulations that I know you have at your desk there and that your parliamentary assistant would have. If you'd like me to wait for a moment—

The Chair: I'm sorry. I don't have the regulations. We're talking about Bill 164 and this is—

Mr Harnick: No, this is Bill 164, section 1. I can't believe, sir, that here we are talking about accident benefits schedules, section 1 of the act, and you don't have the draft regulations in front of you.

The Chair: No, I don't have the regulations in front of me.

Mr Harnick: Well, maybe we should recess for about five minutes so you can get a copy. Otherwise, you're never going to know whether I'm on topic.

The Chair: I'm sorry, Mr Harnick. It's not part of the bill.

Mr Harnick: All right. Well, it is part of the bill.

The Chair: This is the bill here that we're talking about.

Mr Harnick: That's right, and that bill refers to "no-fault benefits schedule," "accident benefits schedule," "statutory accident benefits." All of those things—and this is what is so fundamental to this argument—are found in the regulations that I'm holding up. Those draft regulations are what section 1 is talking about, and those draft regulations can only be debated here under the auspices of section 1.

The Chair: On a point of order, Mr Kwinter.

Mr Monte Kwinter (Wilson Heights): Mr Chairman, I'd like to refer you to part I, subsection 1(2). When it says, "A reference to the no-fault benefits schedule under the Insurance Act in any other act or in any regulation, contract or other instrument shall be deemed to be a reference to the statutory accident benefits schedule," if we're discussing that, then certainly the regulations themselves are part of the discussion, because the act provides that it shall be part of it. So I think Mr Harnick's point is well taken.

The Chair: I'm going to go on to Mr Owens.

Mr Harnick: Do I not have the floor?

The Chair: Yes, but on that point of order.

Mr Stephen Owens (Scarborough Centre): On that point of order, for clarification purposes: Subsection 1(1) simply addresses a name change and does not address the substance of the regulations, so in terms of your comments with respect to the substance of the regulations, in this particular section they are not well placed. If we're able to move on, then perhaps your comments would be more germane to another section.

The Chair: Thank you. I've conferred with the clerk also, and I rule that you don't have a point of order there. We're talking on Bill 164. The regulations don't come in.

1020

Mr David Tilson (Dufferin-Peel): I must confess that when you start talking about striking out "no-fault benefits schedule" and substituting in each case "statutory accident benefits schedule," for this committee to adequately understand what all that means, I think we need to look at the

proposed statutory accident benefits schedule. The reason we need to look at it is to properly understand why the government is making this amendment to the definition section.

There's no question that Mr Harnick is quite right and I think he's entitled to go through the regulations if he sees fit. I don't know whether he intends to go through every last section or not, but to adequately understand the rationale as to why the government is making that change, there's no question that if you're going to change the name, then you have to look at the actual document that's going to be put forward by the government. The government has put forward a draft statutory accident benefits schedule, and as a member of this committee, I would like to look at that document, and this is the appropriate time to do it. Can you tell me where there's another place in the act that we can do that? This is the time.

The Chair: Mr Tilson, other bills have gone through the House and the regulations have followed. This isn't a new procedure being done here.

Mr Tilson: Mr Chairman, if I could just—

The Chair: Could I have the clerk intervene here.

Clerk pro tem (Mr Franco Carrozza): Mr Tilson, section 25 of the bill is the section, if you wish to discuss—

Mr Tilson: We may want to discuss it too. There's no question that the words "statutory accident benefits schedule"—this is a definition section. This is an amendment to the definition section, and to know that, we need to look at all these regulations to determine why in the world the government's doing that. What is the real difference between "no-fault benefits schedule" and "statutory accident benefits schedule"? I haven't heard that.

Mr Harnick is quite correct I think in referring to the draft document, because obviously you can't intelligently talk about this subject unless you have a draft document before you. As Mr Harnick said, it's not the bill that's difficult to understand, it's the regulations, and here we are in section 1 talking about this "statutory accident benefits schedule."

I can tell you there have been many letters written to me, and I'm sure to every member of this committee, talking about the regulations and the concern of the regulations. I give you the example of section f, paragraph 2, subsection 1, where it talks about, "The insured shall not drive or operate or permit any other person to drive or operate the automobile unless the insured or other person is authorized by law to drive or operate it." You don't know whether that person has his license or not, whether it's a parking garage—

The Chair: Can I go on and maybe get some clarification?

Mr Tilson: But my point is, Mr Chairman, that all these issues—we need to go through the regulations to adequately understand why the government has put forward the rationale that it has. We can't understand it unless we do.

The Chair: I'm ruling that the bill is Bill 164. The regulations are outside the bill.

Mr Owens: First of all, you have already ruled that the discussion of the substance of the regulations is out of order and that we move on.

Second, the issue with respect to the definitions Mr Tilson is asking for, words like "substitution" and "striking out," we certainly have counsel available if Mr Tilson is interested in hearing what those words mean. However, I think if Mr Tilson goes back to yesterday's Hansard, during the seven-and-a-half hours of debate on this issue, we've already undertaken that there is full and cogent explanation as to what this section means. I would suggest, Chair, that you've already ruled that discussing the substance of the regulations, which have not been tabled in the House, is out of order. Let's go back to subsection 1(1).

Mr Tilson: Mr Chairman, if I could respond to that point, the whole theory of the government is the emphasis on the regulations.

The Chair: Mr Tilson, it's not a debate on my ruling there, and if you want to hear the legal—

Mr Tilson: Mr Chairman, surely I'm entitled to comment on whether Mr Harnick is entitled to continue.

The Chair: No, you are not, Mr Tilson.

Mr Tilson: Well, I believe I am. I am.

The Chair: No.

Mr Tilson: I certainly am entitled to do that. You can't simply say, "We're not going to discuss section 1 any more." You don't have the right to do that.

The Chair: I didn't say that, Mr Tilson.

Mr Tilson: But Mr Chairman—

The Chair: You're talking about regulations.

Mr Tilson: We are talking about the statutory accident benefits schedule. What kind of nonsense is that?

The Chair: I'm sorry, but—

Mr Tilson: We have every right to talk about the regulations.

The Chair: You're debating. Mr Harnick had—

Mr Tilson: Are you telling us we have no right to talk about the regulations, the draft regulations? Is that what you're telling us?

The Chair: We're doing Bill 164 here.

Mr Tilson: I'm sorry?

The Chair: That's correct.

Mr Tilson: You're telling us we cannot talk about the regulations. Is that what you're saying?

The Chair: We're talking about Bill 164 now.

Mr Tilson: You might as well just close this whole thing down, Mr Chairman. That's what you're trying to do.

The Chair: Mr Harnick.

Mr Tilson: You're shutting us up.

The Chair: No, I'm not. Mr Harnick.

Mr Tilson: You certainly are. We're entitled to talk about the statutory accident—

The Chair: Mr Harnick. You're out of order, Mr Tilson.

Mr Owens: Let's have a 10-minute recess.

The Chair: Okay, 10-minute recess.

The committee recessed at 1026 and resumed at 1037.

The Chair: We'll resume the clause-by-clause. Mr Harnick, you have the floor.

Mr Harnick: As I was saying, what this debate is all about is statutory accident benefits, whether they're called statutory accident benefits or no-fault benefits, and I think what is very important in terms of this debate is that everybody knows what statutory accident benefits or no-fault benefits or whatever you want to call them in fact are. They are the accident benefits that are set out in the regulations, and that's the connector. That's the connecting link here. Statutory benefits are referred to in the act, Bill 164, but they're defined and set out in the regulations. The regulations are the accident benefits; they are the statutory accident benefits or the no-fault benefits. It's important that we understand what accident benefits are. That's what this debate is all about.

Accident benefits consist of definitions, activities of daily living, dependants, employment, payments for loss of income. That's what's all set out in the interpretation sections of the accident benefits schedule. They also include, in part II, income replacement benefits. That sets out issues such as entitlement to benefits, period of benefit, gross annual income, amounts of benefits, withdrawal from the workforce, benefits after age 65, responsibility to seek employment, temporary return to employment.

Then the next section of the accident benefits schedule deals with education disability benefits, weekly benefits, lump sum benefits, temporary return to education benefits. After that is completed, we go into what's described as part IV, care giver benefits. Then we go on to part V, other disability benefits. We then go on to part VI. Part VI deals with loss of earning capacity benefits: when are they payable, notice of procedures, response to notice, agreement to pay benefits, assessment if no agreement, designated assessment facilities, assessment itself, amount of the benefit, termination of other benefits, temporary supplement to benefits, mandatory review of amount of benefit, deterioration in condition, adjustment at age 65. We then, after that, go on to part VII. Part VII is the supplementary medical benefits, and part VIII is the rehabilitation benefits. Part IX is the attendant care benefits and part X is the dental benefits. Part XI—

The Chair: Mr Harnick, where are you reading from?

Mr Harnick: I'm reading the—

The Chair: The bill?

Mr Harnick: Yes, the bill. It's all part of the bill.

The Chair: What section? What page is that on?

Mr Harnick: No, I'm just reading what accident benefits are.

The Chair: Can you inform the Chair what page you are on in Bill 164?

Mr Harnick: I'm not on any page of Bill 164, and you can read the remarks that—

The Chair: But we're on Bill 164.

Mr Harnick: We are on Bill 164 and this is connected directly to it. These are the damn accident benefits.

The Chair: Mr Harnick.

Mr Harnick: Yes, sir.

The Chair: Don't raise your voice to the Chair; just talk. I'm talking to you also.

Mr Harnick: Don't interrupt me.

The Chair: The thing is, is that the draft report of the regulations that you're reading from or Bill 164, which we're on, section 1, right here?

Mr Harnick: These are connected directly to Bill 164.

The Chair: But are they a draft copy and are they tabled?

Mr Harnick: You can't ask me where I'm reading from. I may be making this up out of my head. The fact of the matter is—

The Chair: The Chair wants to follow where you are. The Chair has to follow where you are reading from, if you don't mind.

Mr Harnick: I am explaining what accident benefits are.

The Chair: Reading from where, Mr Harnick?

Mr Harnick: Reading from the documents that your government produced, and they're connected directly to Bill 164.

The Chair: But we're on Bill 164.

Mr Harnick: That's exactly where—

The Chair: Mr Owens, on a point of order.

Mr Owens: I go back to the point of order that I made earlier and that you ruled on and supported my point, that in fact the discussion of the accident benefits regulation and any substance related to that regulation, that proposed regulation—

Mr Harnick: You mean we're not going to talk about substance here?

Mr Owens: Excuse me, I have the floor, sir.

The Chair: Mr Owens has the floor.

Mr Owens: The subsections under consideration at this point are subsections 1(1) and 1(2), which are merely technical issues with respect to name changes. Chair, I ask you one more time to rule the member out of order. We are not discussing the benefits under the proposed regulation.

Mr Remo Mancini (Essex South): Tell the Chair what to do. There's the Chair and the deputy Chair.

The Chair: Mr Harnick, let's talk about maybe another issue. In your former life or maybe the life you've got right now as a lawyer, do you never do a draft report for, say, settlement and the party reads it but it's not through the courts?

Mr Mancini: Why are you guys haranguing Mr Harnick when you know he's not out of order?

The Chair: I'm sorry, but he is discussing something that isn't tabled.

Mr Mancini: It is too tabled. I've got a copy of it.

Mr Tilson: I've got one too. It's been delivered to us.

Mr Harnick: The minister tabled it.

The Chair: It's a draft. Is it tabled in the House? That's what I'm asking.

Mr Harnick: The minister tabled it before this committee.

Interjections.

The Chair: I'm sorry, to me it hasn't been tabled. I didn't receive a copy because it's not in the House.

Mr Tilson: Every member of this committee has a copy of the regulations.

The Chair: We're on Bill 164, right here; Bill 164, Mr Harnick.

Mr Kwinter: Mr Chairman, on a point of order: I think the argument that is taking place is without merit. Under part I, subsection 1(1) or subsection 1(2), there is constant reference to the no-fault benefits schedule or the statutory accident benefits schedule, so that is certainly a topic that is under discussion.

If the member for Willowdale wants to suggest to you whatever should be in that, whether he has it on a document that's prepared by someone or whether he makes it up himself, as he said, he can discuss it and he doesn't have to, in the same way that any member of this committee does not have to, submit to the Chair a copy of the remarks that he is making. He can make them. It just happens he's reading from a text, but that text is of no consequence. I feel that he has the right to discuss anything that he wants to that deals with the no-fault benefits schedule or the projected replacement statutory accident benefits schedule, and I would like your ruling on that.

The Chair: Just a point of clarification, that the point is that the draft report is a draft and it is not tabled.

Mr Mancini: So what?

Mr Harnick: It's not a report.

The Chair: Okay, fine. But the regulations can change two years from now.

Mr Mancini: So what?

Mr Harnick: So can the act.

The Chair: But the bill doesn't necessarily have to change. That's just the point I'm trying to make, Mr Harnick. It would be nice, though, if the rest of the committee members knew where you were reading from, if you are reading from someplace else. But if you're making it up, then fine. But that's all right. Carry on.

Mr Mancini: Charles, just help him along.

The Chair: Carry on, Mr Harnick.

Mr Harnick: Just so there's no mystery to this, I am reading from the accident benefits schedule.

Mr Mancini: Who prepared that schedule, Mr Harnick?

Mr Harnick: The words of the section—

The Chair: Mr Mancini—

Mr Mancini: I'm asking him a question. I want to know who prepared the schedule.

The Chair: Mr Owens.

Mr Owens: Mr Chair, I'm going to ask one more time that you have ruled that the issue with respect to—

Mr Mancini: Stop threatening the Chair.

Mr Harnick: Point of order, please.

The Chair: Could I just get this point of order, please?

Mr Harnick: He's not entitled to make a point of order. He's here for technical purposes. He's not here to run this committee.

The Chair: He is a member of the committee.

Mr Harnick: No, he isn't.

The Chair: Yes, he is.

Mr Harnick: No, he isn't.

Mr Mancini: That's the problem. He's been trying to do your job—

The Chair: I'm sorry. He is a voting member of the committee. He has as much right for a point of order as Mr Harnick has.

Mr Owens: Mr Chair, you have ruled on the issue that discussion of the substance of the accident benefit regulation—

Mr Harnick: Where is this in the standing orders?

Mr Owens: —as it is not part of the substance under debate; the substance of the debate—

Mr Harnick: This is not in the standing orders.

Mr Owens: —is 164, subsections 1(1) and 1(2)—

Mr Harnick: Where is this in the standing orders?

Mr Owens: —sir, I would respectfully request that that ruling be upheld.

Mr Harnick: He's out of order.

The Chair: He is not out of order, Mr Harnick.

Mr Harnick: As a member of this committee, I would like to know where the section that he's referring to for his point of order is under the standing orders. This committee runs on the basis of the standing orders of this Legislature. Where is the standing order that he is bringing—

Mr Mancini: There isn't any.

The Chair: There isn't any.

Mr Harnick: There isn't any. Then he's out of order.

The Chair: We're on Bill 164, section 1.

Mr Harnick: Start being the Chairman and start being impartial and stop listening to the nonsense that he keeps putting into your ear.

The Chair: Mr Harnick, would you get back to the subject?

Mr Harnick: I'm back on the subject.

The Chair: Carry on.

Mr Harnick: If you would quit interrupting me and that guy sitting beside you will stop interrupting me—

The Chair: I'm sorry—

Mr Harnick: May I carry on?

The Chair: Are you a gentleman? Carry on. Let's use different language in here.

Mr Harnick: Thank you. As I was saying before I was interrupted, subsection 1(1) reads as follows:

“The Insurance Act is amended by,

“(a) striking out ‘no-fault benefits’ and ‘no-fault benefit’ wherever those expressions occur and substituting

in each case 'statutory accident benefits' and 'statutory accident benefit,' as the case may be; and

"(b) striking out 'no-fault benefits schedule' wherever that expression occurs and substituting in each case 'statutory accident benefits schedule.'"

Subsection (2) says, "A reference to the no-fault benefits schedule under the Insurance Act in any other act or in any regulation, contract or other instrument shall be deemed to be a reference to the statutory accident benefits schedule under the Insurance Act, and a reference to benefits under the no-fault benefits schedule shall be deemed to be a reference to statutory accident benefits under the statutory accident benefits schedule."

Mr Chair, I've only read in that subsection (2) the words "statutory accident benefits schedule" or "no-fault benefits schedule" appear four times in the eight lines that make up that section. Are you telling me that the fact that "statutory accident benefits schedule" appears there and the fact that I am referring directly to that schedule is not in order? That's positively absurd. If that's what the Chairman is saying—

The Chair: But—

Mr Harnick: I'm making my speech now. That was a rhetorical question. I really don't want—

The Chair: But that was the draft copy. You can refer to the draft but not to debate the draft.

Mr Harnick: I'm not debating the draft. I'm referring to the schedule of accident benefits—

Mr Tilson: He can refer to anything he likes.

Mr Harnick: —just as subsection (2) says. Subsection (2) says that we're talking here about—

The Chair: I agreed with you on that, Mr Harnick. You can refer to it but not to debate the regulations.

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Mr Harnick: I'm referring to it. If we go back to part XI of that accident benefits schedule, it deals with funeral benefits. Part XII deals with compensation for other pecuniary losses. It deals with expenses of visitors, dependant care expenses, housekeeping and home maintenance expenses, damage to clothing, glasses, hearing aids etc, and cost of examinations.

Part XIII deals with exclusions and part XIV deals with procedure: notice and application for benefits, initial certificate for weekly benefits, election of weekly benefits, payment of weekly benefits, stoppage in weekly benefits, payment of other benefits, interest on overdue payments, prior approval of expenses, repayments to insurer, and time limit for proceedings.

Part XV deals with responsibility to participate in rehabilitation and part XVI deals with interaction with other systems: social assistance payments, collateral benefits, workers' compensation benefits, accidents in Quebec and non-residents. Part XVII deals with indexation of weekly benefits and of monetary amounts in this regulation.

Part XVIII deals with income calculations, net weekly income, income from self-employment, pre-determined income from self-employment, income tax calculations, conversion of part-time income to full-time income, severance

pay and termination pay. Part XIX deals with miscellaneous items dealing with duty to provide benefits, application despite certain provisions of the Insurance Act, company automobiles, rental automobiles, copies of regulation, registered mail, forms, the title of the act and the coming-into-force date of the act.

I've just read everything that the accident benefits schedule has to deal with.

The Chair: Correct.

Mr Harnick: If you don't think that's relevant to this debate then, to quote Mr Winner's phrase, "You don't know what planet you're on," because the fact of the matter is that this is the heart and guts of what every consumer in this province is going to have to understand.

I've done a little research overnight because I take this job very seriously. I don't know if anybody else did any research overnight. I asked Ms Haeck and a couple of the other people on the government side to please ask Bob Rae to come and explain why he has changed. I don't know if they did that last night or not, but I went back last night and I looked at the accident benefits schedules of the accident benefits as they were before OMPP, I looked at the accident benefits schedules under OMPP and I looked at the accident benefits schedules under the proposed Bill 164 as referred to in clauses 1(1)(a) and (b) and subsection 1(2). Boy, when I see the expansion of definitions and when I see how complicated this becomes and I compare it to what consumers have had up to this time, I'm amazed.

Let me just point out to you under the definition section, we have the definition of accident. It says in the regulations here that "accident" means an incident in which the use or operation of an automobile causes, directly or indirectly, physical, psychological or mental injury or causes damage to any—"

The Chair: Mr Owens, on a point of order.

Mr Harnick: I hope that when he makes his point of order, he'll refer to the section under the standing orders or you will rule him out of order, as the Chairman is supposed to do.

The Chair: Mr Owens.

Mr Harnick: I'm getting a little tired of being interrupted.

Mr Owens: Well, I'm getting tired of your interruptions while I have the floor as well.

Mr Harnick: You use the rules to shut me down.

Mr Owens: Mr Chair, I refer you to section 23 of the standing orders, that a member may be called to order if the member "directs his or her speech to matters other than: (i) the question under discussion, or (ii) a motion or amendment that he or she intends to move, or (iii) a point of order."

I would suggest to you that the issue under discussion at this particular moment is subsection 1(1) and subsection 1(2) of Bill 164 and that the issues with respect to the substance of the regulation are not under discussion. I ask as a committee member that you uphold your ruling that comments with respect to the substance of the regulation are out of order and that you ask the member for

Willowdale to constrain his comments to the issue that is under discussion.

The Chair: Mr Owens, your point of order is taken and I agree with you. I gave a few sentences longer—

Mr Kwinter: Mr Chair—

The Chair: Let me finish, Mr Kwinter.

Mr Kwinter: It's a point of order. How can you finish with the other member when I want to speak on the same point of order? I'm not bringing up a new point of order.

The Chair: Okay, Mr Kwinter.

Mr Harnick: We need a new Chairman here. We need a fair Chairman.

Mr Kwinter: On the same point of order, Mr Chairman: The parliamentary assistant has just quoted section 23 of the standing orders, in which it says a member must confine his remarks to the issue at hand. Surely when we're talking about changing the act to strike out "no-fault benefits" and "no-fault benefit" and to substitute "statutory accident benefits," there must be a reason. There must be a reason why the government has decided that it wants to change that wording. It isn't just capricious. It isn't: "We don't like those words. Let's put some new words in."

As a result of that, we are talking about, as stated in clause 1(1)(b), the no-fault benefits schedule. Surely if the member for Willowdale is talking about the no-fault benefits schedule, nothing could be more germane to this debate. To rule that he is not talking about what we are talking about is patently absurd. I would respectfully submit that the parliamentary assistant has no point of order and for you to rule on it saying that you sustain his point just doesn't make any sense.

The Chair: Mr Tilson.

Mr Tilson: On that same point of order, Mr Chairman: I quite agree with Mr Kwinter that we have been repeatedly asking for the rationale for this amendment. Normally, in any committee I have sat on, the parliamentary assistant comes forward and gives us the rationale for why a specific amendment is being made. We've heard no rationale. Mr Harnick is trying to speculate what in the world the government's trying to do, and it does all boil down to regulations.

You can say they're draft regulations and they haven't been tabled here or there. All we know as members of this Legislature is that every last one of the members of this committee received a draft copy of the regulations. So did the medical association people. So did the lawyers. So did the insurance industry.

How in the world did you think all these thousands of dollars that have been spent on reports—Mercer, for example, the government's own consultant firm, has spent a great deal of time on the subject of the regulations. Every delegation that has come forward to this committee has spent a great deal of time on these regulations. Why in the world can't this committee talk about the regulations? Mr Harnick is in perfect—

The Chair: Because we're discussing Bill 164.

Mr Tilson: We are talking about clauses 1(1)(a) and 1(1)(b) and subsection 1(2), all of which deal with the

statutory accident benefits schedule. Mr Harnick is in perfect order to talk about that schedule.

The Chair: Mr Tilson, I was listening to Mr Harnick. He went through what the schedule and the regulations would be, what areas were covered. I agreed and listened. He has that right to tie that in to what areas. But when he starts discussing what the regulations are—

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Mr Tilson: What are you talking about, Mr Chairman? Mercer talked about them. Every association talked about them. The minister talks about them.

The Chair: Yes, but we're not discussing it here. We're doing Bill 164, section 1.

Mr Tilson: Everybody but this committee's talking about them. What kind of nonsense is this?

Mr Mancini: Mr Chairman, we agree with you that it's Bill 164 that's been referred to the committee, but if at this late stage you're going to tell any member of the committee that he is going to be limited in how he is able to refer to the draft regulations prepared by the Minister of Financial Institutions, duly distributed to all committee members, duly distributed to the industry and to all stakeholders in this matter, if you are now, at this late stage, going to say that we allowed all these deputants—do you remember all these deputants who came before us?—to speculate about the draft regulations, we allowed the government's consultant to report on how high automobile insurance rates would go up because of the draft regulations as they refer to statutory accident benefits etc, if we allowed all that and now, at this late stage, our last chance, our last effort to convince the government that maybe they should accept a different regime or a different schedule, you're going to prohibit us from doing that, then this whole thing has been a farce.

The first deputant who came before this committee was the deputy minister and he referred to the draft regs. He had a lot to say about the draft regs as they pertain to Bill 164. We all sat back and heard the gentleman. It went on from there. If that was the view of the parliamentary assistant, who, I maintain, has been trying to do your job through these entire hearings, unfortunately, if that was his view, at that moment in time he should have interrupted the deputy minister and said, "Look, we're here to discuss Bill 164 and we're not going to tolerate your talking about the draft regs." That's when it should have been done, if that is the way you want to do it.

But that is not how it is done, Mr Chair. It hasn't been done that way because it makes no sense to do it that way, and the only way Bill 164 can be described to us by the deputy minister and the government's consultants and the minister and the only way Bill 164 can be described to us by all of these deputants who came before us over the last two weeks, all of these people—we don't have to refer to them by name; we know who they are. All of them came to us and went through Bill 164, describing it to us through their eyes as it relates to the draft regs. That all made good common sense.

Now, if Mr Harnick is straying from how the draft regs and the statutory accident benefits join together, then

certainly you as Chair have the right to intervene and bring him back to that point. But you do not have the right, nor does the parliamentary assistant, nor does anyone else, to tell Mr Harnick that it was okay to hear from the deputy minister, the government's consultants and everybody else as to how the draft regs and Bill 164 are connected, but we're sorry, we can't hear it from him. That makes no sense, Mr Chair.

The Chair: Okay. I had let Mr Harnick carry on there. He did put where section 1 applied to the regulations.

Mr Owens: What's your ruling?

The Chair: But when he started talking about regulations on the draft, we're not here to discuss what the regulations are, the schedules. We're here to discuss Bill 164.

Mr Tilson: Did you listen to one word he said?

The Chair: Yes, and I rule. Get back, Mr Harnick, on Bill 164. Mr Harnick, you've got the floor.

Mr Harnick: No, Mr Chair. I think if anybody reads this transcript from Hansard and sees that you've made a ruling that doesn't allow us to talk about substance, the public would say: "Boy, it's absurd. We elect these people to debate issues and bills that are going to become law, that the public is going to have to deal with, and we have a Chairman of a committee and a parliamentary assistant who say, 'Well, it's fine to debate as long as you don't talk about substance.'" I think that's absurd.

I also think, Mr Chair, that the reason the parliamentary assistant is concerned about dealing—

Mr Owens: On a point of order.

The Chair: Okay, we've got a point of order. Mr Owens.

Mr Harnick: Oh, he's going to interrupt me again.

Mr Owens: These remarks are not germane to subsections 1(1) or 1(2) of the legislation.

Mr Tilson: We're still on your point of order.

The Chair: There is no debate on my ruling.

Mr Tilson: Do you mean to tell me that Mr Owens can make a point of order and none of us can comment, whether we support it or whether we oppose it?

The Chair: There is no debate on my ruling.

Mr Tilson: What do you mean? Mr Owens rose on a point of order. What do you want us to do? Read Hansard back? We're speaking on Mr Owens's point of order. Mr Harnick has every right to speak on that point of order.

Mr Mancini: I move that we make Mr Winninger the parliamentary assistant for the rest of the year.

Mr Winninger: I move, Mr Chair, that Charles Harnick donate his ego to Harvard.

The Chair: Well, that's not recorded. Mr Harnick.

Mr Harnick: It's interesting that we have a parliamentary assistant who's afraid of the substance of his own bill, the bill he has to defend. The reason I don't think he wants to talk—

The Chair: Mr Harnick, it's got nothing to do—the regulations are draft—I don't mind your referring where it

goes to the draft report, but the draft report is only a draft. We're debating Bill 164.

Mr Mancini: That's exactly what we're debating.

The Chair: Okay, carry on with Bill 164.

Mr Harnick: Just so that I understand then, are you telling me that these are not the regulations the public is going to have to deal with?

Mr Tilson: The whole thing's a mirage.

The Chair: They're draft; they haven't been tabled.

Mr Harnick: Maybe you should enlighten us, Mr Chair, and maybe the parliamentary assistant can enlighten us and maybe we can get Mr Endicott back here. I mean, are these irrelevant to the discussions on auto insurance? Is that what you're telling us?

The Chair: I'll go to legal counsel.

Interjection: That's a good idea.

Mr Harnick: Can we go out and advise all of—

The Chair: Mr Harnick.

Mr Harnick: Let me finish. You keep interrupting me and I can't ask my question.

The Chair: But you stopped and I asked someone and then you started cutting in again.

Mr Harnick: Let me at least clarify the question so he can give me an answer.

The Chair: I'm going to legal counsel for an answer.

Mr Harnick: Well, can I ask him the question before he makes the answer?

The Chair: Go ahead, Mr Harnick. You've got two questions there.

Mr Harnick: What I want to know is whether we should just forget about what we're doing here, call the rest of the week off and go and inform all the people who were witnesses to this committee that these draft regulations are now scrapped. That's what I'd like legal counsel to tell me: Are these now irrelevant? Are we throwing them in the garbage? Can we go out and tell the public—

Interjection.

Mr Harnick: Well, I'm asking my question.

The Chair: He's still on the first point of order.

Mr Harnick: I'm still on the first point of order.

Ms Christel Haeck (St Catharines-Brock): Point of order.

The Chair: I'd like to get to legal counsel first to respond to Mr Harnick.

Mr Harnick: I just want to know from legal counsel if these are now irrelevant and we can tell all those witnesses and all the interest groups not to worry about this stuff any more because the government's thrown it in the garbage.

The Chair: Let's get a legal opinion for Mr Harnick.

Mr Craig Simons: I find it difficult to answer that kind of question. It's not really a technical, legal question.

Mr Harnick: Well, can somebody answer that question? Maybe the parliamentary assistant can answer it.

Mr Owens: The parliamentary assistant would be glad to answer the question. As Mr Harnick is well aware—or perhaps maybe he's not, since he hasn't been around as long as Mr Mancini or Mr Kwinter—in terms of the witnesses, maybe Mr Harnick—

Mr Tilson: So what's your point.

The Chair: Wait a minute. Mr Owens has the floor.

Mr Owens: Maybe Mr Harnick is in the business of requiring witnesses to say certain things, but Mr Harnick should be well aware that witnesses have the option to come to committee and use their time as they see fit, and witnesses have certainly done that during these hearings.

With respect to the issue under discussion here, subsections 1(1) and 1(2) of the bill, again, as of yesterday evening we had spent seven and a half hours—we are now close to eight hours—debating what is simply a technical name change, nothing more and nothing less. The comments have been reiterated, and for your edification I will reiterate them one more time, that the draft regulation is simply a draft. There is nothing official about this document. It is still out in the community, including the various legal groups, various victim groups, for consultation. In terms of the issue that is at hand, at this point it's simply a name change, and that will hold true for at least the first 10 sections of the bill.

In terms of time well spent and where you would like to place your arguments, I would respectfully suggest that you have an opportunity to consult with the ministry on the accident benefits regulation. You are certainly not precluded from doing that. But in this particular instance we are discussing subsections 1(1) and 1(2) of Bill 164.

Ms Haeck: On a point of order.

The Chair: Ms Haeck, a point of order.

Ms Haeck: I find this, shall we say, carousel that we're on rather interesting, since in fact most pieces of legislation that have come before committees I have sat on have not had regulations appended. The regulations are drafted after the bill has gone through the House, so what has been presented by the ministry, from my understanding, is that it's given some sense to the public as well as to the insurance industry of what is on its mind. But the bill we are discussing is quite separate, and I must admit I think all of us would like to move off of subsection 1(1) and actually get moving.

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The Chair: Mr Harnick, you have the floor again, and stay on subject, Bill 164, please.

Mr Harnick: I am no more clear now—

The Chair: Could I interrupt? Mr Mancini. I forgot him in the corner here.

Mr Harnick: You don't want to forget Mr Mancini. I know he's going to straighten this whole thing out.

Mr Mancini: Yes. We're going to make a comment on the—

Mr Harnick: He's been here longer than any of us.

Mr Mancini: I appreciate that.

I was led to believe, Mr Chair, and maybe you could correct me if I'm not right on the subject—I asked the ministry legal counsel—that based on earlier questions asked by Mr Harnick at the beginning of the hearings, the head of this insurance team was Mr Endicott. I wanted to ask Mr Endicott some questions about these draft regs that have come up during all these points of order so we could get some clarification here, because it seems that Mr Harnick is allowed to speak for two or three minutes and then the same point of order arises again.

Mr Harnick: Where is Mr Endicott?

Mr Mancini: We need the person who is in charge of the team to be available so that we can ask two or three specific questions which might help us to resolve this. At the rate we're going, Mr Harnick is going to speak for two or three minutes, and in my view, properly so. That's going to annoy the parliamentary assistant because the draft regs have not been liked by many people, and he's going to jump in on a point of order. That's going to cause several other points of order and we're not going to get on the record the important things that we wish to say this morning and this afternoon. So unless we're able to clarify some of these things, we are in fact, as Ms Haeck said, on a carousel.

The Chair: We'll go to Mr Owens and hope that he has someone here from the ministry, if Mr Endicott isn't here to fill in for him.

Mr Owens: Sure. We have a number of very qualified people here to answer questions on Bill 164, especially the subsections that are under debate here which, again for your reference, are 1(1) and 1(2). In terms of a specific individual—

Mr Mancini: I was led to believe he was in charge of the team.

Mr Owens: If I can finish my response to you, we have, as I say, a number of people here who can quite adequately respond to your technical questions on the bill.

One more time, the accident benefits regulation is not an issue for debate, but if you're interested in meeting with one of our ministry staff whom you want to answer or to ask questions of, we would certainly be pleased to arrange that for you.

Mr Mancini: Thank you for the offer. It doesn't in any way answer my question, but thanks for the generous offer and thanks for again telling us that we should—

Mr Owens: I think I responded quite appropriately to your question.

Mr Mancini: You responded according to what you consider your needs to be, Mr Owens. Your needs right now and the needs of your colleagues are to try to run for cover and not allow us to be—

Mr Owens: That's not appropriate.

Mr Mancini: —in room 151 and a whole bunch of other things.

The Chair: Mr Mancini.

Mr Mancini: Our needs are to find out what exactly all this means, because there are millions of ratepayers

who would like to know. That's what our needs are. You guys want to cover it up.

The Chair: Mr Mancini.

Mr Mancini: We want to make sure people understand what's going on.

The Chair: Do you want me to call the ministry staff here to answer the question?

Mr Mancini: Well, who is the top person here?

Mr Owens: My question to you, in terms of your question with respect to technical issues, is that Mr Simons has quite adequately, in my view, explained the nature of a rather technical amendment. If that explanation was not clear for members of the opposition or anybody else, for that matter, who would like Mr Simons to reclarify that amendment, then Mr Simons is quite willing to do so. In terms of clarification as to who heads the other project, it is not Mr Endicott who is the head of this particular auto insurance review; it is Blair Tully, the deputy, who appeared here—

Mr Mancini: Maybe we need Mr Tully here, then.

Mr Owens: —and again, for the purpose of clarification, we have a number of excellent ministry staff, Mr Simons and Ms Julia Bass, an assistant deputy minister. I would say we're quite well equipped here to answer any technical questions, especially starting with subsections 1(1) and 1(2). If Mr Mancini, Mr Harnick or Mr Tilson would like, again for the purposes of clarification, to have the reasoning, perhaps we would even go further and define what "substitution" means or what "striking out" means, if that is a difficulty for these members to understand. So again, Chair, we are back into the position of requesting that we move back to the substance of the debate which is subsections 1(1) and 1(2) of Bill 164.

The Chair: Mr Harnick, you have the floor again.

Mr Harnick: I am quite pleased at the parliamentary assistant's offer. If we could have all the ministry people come and join us at the table here, then at least we'd be able to see who they are and what they do, and we'd be able to direct our questions to them. Is that reasonable, Mr Chair?

Mr Tilson: Just say yes, then you can go.

The Chair: Yes.

Mr Tilson: We're on.

Mr Harnick: Why don't they all come and join us at the table?

The Acting Chair (Mr David Wnninger): You have a new Mr Chair.

Mr Harnick: Oh, we have a new Mr Chair. Nice to have a man without an ego as the Chairman.

The Acting Chair: What was your point, Mr Harnick?

Mr Harnick: The parliamentary assistant indicated we could have all the ministry staff who are here to help us out with these technical questions and maybe they should all join us at the table. Your predecessor in the Chair said yes to that.

The Acting Chair: I didn't hear him say yes. Perhaps when he's able to return we can deal with that matter anew. In the meantime, perhaps we could address our attention to section 1 of the act.

Mr Tilson: Mr Harnick had accepted the offer of the parliamentary assistant to answer, to have the various staff members he has introduced to us now come to the table. I'm sure all members of the committee would like to ask some questions, particularly Mr Harnick. I know Mr Mancini has a number of questions on these draft regulations and the meaning of them, all of which turns back to section 1. I think Mr Harnick has accepted Mr Owens's offer. The Chair, Mr Hansen, before he left, indicated that seemed quite in order and I suggest all the various staff members come to the table so we can now proceed to better understand the draft regulations.

The Acting Chair: Mr Owens, you had your hand up.

Mr Owens: Thank you, Chair. We have Mr Simons and he, as I indicated in my earlier remarks, provided quite a competent and capable answer to the questions that would arise under subsections 1(1) and 1(2) of the bill which is under consideration. The substance of the accident benefits regulation—again the Chair has ruled—is not in order for the purposes of discussion. For questions that may arise out of subsections 1(1) and 1(2), Mr Simons is here, and as I also indicated, Ms Julia Bass, an assistant deputy minister, is also available for questions. If there is something that was not clear in terms of a rather technical name change, changing "no-fault benefits" to "statutory accident benefits," I would respectfully request that those questions again be asked and that we move back to the substance under discussion.

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The Acting Chair: Certainly it's reassuring to know that if technical questions do arise around section 1 of the bill, or any other sections which I hope we can get to this morning, there are competent technical staff available.

Mr Tilson: Mr Chairman, again I repeat what I indicated, that Mr Harnick had accepted Mr Owens's offer to have the staff come to the table because Mr Harnick has a number of technical questions dealing with subsection 1(1).

The Acting Chair: What I'm hearing is—sorry. Have you completed your thought?

Mr Tilson: My comment is that Mr Harnick has accepted Mr Owens's offer. The Chair, Mr Hansen, has indicated that the proposal is quite in order, so I don't know why we're holding this up. Let's deal with all these questions.

The Acting Chair: I don't know either, because it's quite clear that we have technical staff here well qualified to answer technical questions.

Mr Tilson: Well, let's get them forward. We've all got a lot of questions dealing with these regulations.

The Acting Chair: Perhaps Mr Harnick could then continue, and if he chooses to put technical questions, we have competent staff here to answer them. Please continue, Mr Harnick.

Mr Harnick: Seeing as Mr Simons is here, Mr Simons, I just want you to clarify for the committee that the references to "statutory accident benefits schedule" and "no-fault benefits schedule" as they appear in section 1 of the act refer to the accident benefit schedules set out in the January 1993 revised draft regulation to be made under the Insurance Act statutory accident benefits schedule.

Mr Simons: It doesn't refer to any particular schedule; it refers really to any regulation that may be passed under the act once this act is proclaimed.

Mr Harnick: That's where I'm becoming horribly confused, because the only place I'm aware of any statutory accident benefits schedules are the schedules that exist under the draft regulations. Are there other schedules I'm not aware of?

Mr Simons: The only schedule that you have right now is the current no-fault benefits schedule.

Mr Harnick: And is that the no-fault benefits schedule that's in these draft regulations?

Mr Simons: No.

Mr Harnick: Well, where are they?

Mr Simons: What you have before you that you're referring to is a consultation draft.

Mr Harnick: No, what I want to know is, where are the no-fault benefits schedules if they're not in this draft regulation? Where are they?

Mr Simons: The only thing you have operating today is the current no-fault benefits schedule that was put in during OMPP.

Mr Harnick: Let me ask you again. In section 1, you are referring to no-fault benefits schedules or statutory accident benefits schedules. Where will these accident benefit schedules you're referring to be? Will they be in the draft regulation and will that be the governing document, or will we continue with the Ontario motorist protection plan regulations and will they be the governing document? This is pretty important.

Mr Simons: The statutory accident benefits schedule replaces for accidents after the new scheme is put into place.

Mr Mancini: Exactly. That's what we've been saying for two days.

Mr Harnick: We're contemplating then that once this bill is passed, the accident benefits schedule you're referring to will be the accident benefits schedule in this draft that was put out by the ministry in 1993. Is that right?

Mr Simons: That's not necessarily true. We don't know exactly what the final schedule is going to look like. That's a consultation draft for input.

Mr Harnick: Is this at present the only draft and the only accident benefits schedule that will go with this, Bill 164?

Mr Simons: It's a consultation draft. It's not a legal document.

Mr Harnick: Let me ask you in a more pointed way. When Bill 164 is passed, with these sections that are

presently in it, if it's passed that way, will this be the draft regulation that goes with it?

Mr Simons: It's a proposed regulation. I don't know if it's the final version.

Mr Mancini: Can I ask a couple of supplementary questions?

Mr Harnick: Sure. Go ahead.

The Chair: Mr Mancini.

Mr Mancini: Mr Simons, are these the draft regulations, dated "January 1993, Automobile Insurance Review, Ministry of Financial Institutions," that your deputy minister, Mr Tully, referred to when he came before the committee?

Mr Simons: Yes.

Mr Mancini: These are the drafts your deputy minister referred to?

Mr Simons: Yes, the consultation draft.

Mr Mancini: Did your deputy minister, Mr Tully, refer to any other draft regulations other than these during his discourse to this committee?

Mr Simons: Not that I'm aware of.

Mr Mancini: Did any of these groups—for example, James H. Cooke, barrister and solicitor, Windsor; Zurich of Canada; John Berringer from Kenora; the Thunder Bay Chamber of Commerce; the Ontario March of Dimes; the Organization for the Multi-Disabled; the Facility Association—did any of those groups that appeared before the committee refer to draft regulations, other than these particular draft regulations that you identified only a moment ago?

Mr Simons: I can't answer that. I wasn't present during the committee's sessions.

Mr Mancini: You weren't present. That's why we needed—are there other staff—

Mr Owens: Oh, come on. This is becoming an abuse.

The Chair: Mr Mancini, I was chairing at that particular time—

Mr Mancini: Okay, then maybe the Chair—did they all refer to this draft?

The Chair: —and they did wind up referring to items in a draft.

Mr Owens: What's the point?

The Chair: In a draft. Consultation. Draft.

Mr Mancini: The point here, Mr Chair—

Mr Owens: This is becoming an abuse of process.

Mr Mancini: No, it's not an abuse.

Mr Owens: It absolutely is.

Mr Mancini: Your performance this morning has been an abuse because you want to do the Chairman's job. Mr Chair, my point is the following, if the parliamentary assistant will allow me: The indications that we've had this morning, from legal counsel whom Mr Owens guided us to, was that the Deputy Minister of Financial Institutions referred to these regulations and only these regulations. The legal counsel further confirmed that he knows of no other regulations that the deputy minister referred to.

If that is the case, then it's obvious that Mr Harnick is doing exactly the same thing that the deputy minister did.

And for Mr Owens and for anyone else to say before this committee that these may or these may not be the draft regulations is nothing but a bunch of nonsense. These are the draft regulations.

The Chair: They aren't the regulations. They're draft regulations. That's what I tried to say.

Mr Mancini: That's what I said. These are the draft regulations.

The Chair: Mr Harnick, Bill 164.

Mr Tilson: It's not law. That's why we're here.

The Chair: We're not to debate the regulations but to debate—not to debate, but clause-by-clause.

Mr Mancini: How they connect.

The Chair: Mr Harnick did connect that the regulations, not specific, but areas—and I let Mr Harnick go on in that area because that's what it would be covering. But when he started debating and questioning the regulations, that's when I let him have about two or three sentences, and then Mr Owens cut in on a point of order.

Mr Mancini: Which he does regularly.

The Chair: I was going to stop Mr Harnick at that time, but I was going to see if he was going to get back to Bill 164. I'm not a Chair that winds up—I know I give a little latitude, and I was giving Mr Harnick a little latitude to see if he was coming back to 164, section 1. Mr Harnick, you have the floor.

Mr Harnick: I want to ask Mr Simons a question. He keeps talking about a consultation draft. Consultation, it seems to me, means that we're out consulting with the public about what the draft might turn out to look like. But I'm looking at a document put out by the ministry and dated January 1993 from Automobile Insurance Review, Ministry of Financial Institutions. It doesn't say anything on the front page about consultation. It says, "Revised Draft Regulation to be made under the Insurance Act, 'Statutory Accident Benefits Schedule.'"

So that I don't get more confused than I already am now, is this the same statutory accident benefit schedule that's referred to in clauses 1(1)(a) and (b) and subsection 1(2)? Is this what goes with that?

The Chair: That's a draft copy.

Mr Harnick: I'm not asking you; I'm asking Mr Simons. You don't know these answers.

The Chair: Okay. Mr Simons.

Mr Simons: I believe when this draft was circulated—

Mr Harnick: Can't you just say yes or no?

Mr Simons: —it was circulated with a press release saying it's a consultation draft. It is—

Mr Harnick: No. Read what's on the front of it now, sir. It says, "Revised Draft Regulation to be made under the Insurance Act." The big words are "to be made."

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Mr Simons: But it also says "Draft."

Mr Harnick: Well, it also says "to be made under the Insurance Act" and then it says, in quotations, "Statutory Accident Benefits Schedule." This is not a trick question.

All I'm asking you is, when it says "Statutory Accident Benefits Schedule" in subsection (2), is this the statutory benefits schedule that goes with this?

Mr Simons: No.

Mr Harnick: If it ain't, we should all go home because we got nothing to talk about here.

Mr Simons: It's not the final schedule; it's a draft. It's out for consultation.

Mr Harnick: Whom is it out for consultation to?

Mr Owens: Your House leader person is here; maybe she can get a substitute for you, if you'd like to leave.

Mr Harnick: Oh, shut up. What I want to know—

The Chair: Mr Harnick, you have the floor.

Mr Harnick: That's right. I have the floor, and if I feel like standing up, I'm going to stand up.

The Chair: But the thing is, Hansard's having a problem.

Mr Harnick: Are you having a problem?

The Chair: If you sit down and speak into the mike—

Mr Harnick: Are you having a problem hearing me?

The Chair: Yes.

Mr Harnick: Is the mike picking it up?

Mr Tilson: You've got to speak louder, Charles.

The Chair: Is this grandstanding?

Mr Harnick: It's grandstanding.

The Chair: Okay, go ahead.

Mr Harnick: You should call in the press.

Mr Harnick: All I want to know is a couple of things: Is the Chairman Mr Owens or is the Chairman Mr Hansen, and are there any other draft regulations that go with this as of right now or are these it? That's all. It's not a trick question. But if this isn't what goes with this, we may as well pack it in here because we're wasting our time.

Mr Simons: I thought I already answered that.

Mr Harnick: I don't know what you answered, because Mr Owens keeps interrupting, keeps confusing the issue. We just don't know what goes with what. You know, the big question here—

Interjection.

Mr Harnick: Just a second. I'm getting tired of being interrupted by the Bobbsey twins here.

The Chair: Mr Harnick, I don't like getting pointed at all the time.

Mr Harnick: Well, I'm pointed at by you. If you point at me, I'm going to point back. So there. You might make \$10,000 more than I do for pointing, but I'm still allowed to point back.

The Chair: I haven't got a law firm, so—

Mr Harnick: I don't have a law firm either. I'm a little confused because—

Interjections.

The Chair: Why don't we just come down, just settle down and talk to him in a regular voice.

Mr Harnick: Mr Owens keeps telling me, when he interrupts the speeches that I'm trying to make—constantly, because he doesn't want to deal with the issues that are going to affect the public—that all we're talking about here is a substitution of one name for another name for a set of regulations or accident benefits to be made under the Insurance Act. We can't proceed one inch further unless you tell me whether these are the statutory accident benefits schedule that's referred to in this section. It's really simple. The answer is either yes or no.

The Chair: Mr Harnick, you keep trying to confuse it all the time. You forget to put the word "draft" in.

Mr Harnick: Draft.

Mr Kwinter: Mr Chairman, on a point of order.

The Chair: Mr Kwinter.

Mr Kwinter: Mr Chairman, with all due respect, you keep referring to the fact that the member for Willowdale is referring to a draft document. With all due respect, I want to bring your attention to Bill 164, which we are discussing. I have in front of me a sheaf of amendments, government motions as to how to amend this particular document. The members of the Conservative Party have submitted some. This is a draft. This is not the final document. This is a draft document that is contemplated by the government and we are here to debate, clause by clause, what changes should be made.

The Chair: Correct.

Mr Kwinter: So to rule that an intrinsic part of this document, which is the regulations, is draft and cannot be discussed, but the main body, which is also a draft, can be discussed, doesn't make any sense. With all due respect, you can rule whatever you want, but I just want to submit to you that to keep suggesting that because one document is a draft it can't be discussed and Bill 164, which is also a draft, can be discussed makes no sense.

The Chair: But what we're talking about is Bill 164, not the regulations. That's where I come back every time. I've ruled on that and I would like to get back with Mr Harnick on Bill 164.

Mr Harnick: I appreciate the input.

The Chair: He's been given enough answers on regulations, that they're draft. That is not the subject of discussion or debate on Bill 164. I don't know how many more times I can say that. I'm going to get tongue-tied after a while.

Mr Harnick: I appreciate the input of the member for Wilson Heights. It's regrettable that you haven't answered his question or dealt with what he said.

I'm going back to the section you have specifically become tongue-tied over. All I want to know from Mr Simons is a really simple question. If he can't answer it, we'd better get Mr Tully here. Are these the revised draft regulations to be made—

The Chair: Mr Harnick, let's carry on with Bill 164.

Mr Harnick: I'm asking—you've made it—

The Chair: Bill 164.

Mr Harnick: Well, I'm dealing with Bill 164.

The Chair: You're dealing with regulations again.

Mr Harnick: No, I'm not dealing with the—

The Chair: We're dealing with Bill 164.

Mr Harnick: I'm not dealing with the regulations.

Mr Winner: The question has been asked and answered.

Mr Harnick: It hasn't been answered. All I want to know is—

The Chair: Mr Harnick, look at the Chair.

Mr Harnick: —are these the draft regulations that are referred to in clauses 1(1)(a) and (b) and subsection 1(2)?

The Chair: The thing is, there are going to be regulations. That happens to be a draft. I don't know how many more times we can say it.

Mr Harnick: At this very moment, are these the draft regulations that go with this bill or are there any others?

The Chair: Mr Harnick, if you didn't receive the draft—let's say the draft had not been printed and we were going through that the regulations would be written, would you have had a problem with the bill?

Mr Harnick: The regulations are written. This is the draft. You've made Mr Simons available and I would just like him to say, "Yes, these are the draft regulations at present that go with this act." It's not a trick question. I'm not going to say, "Aha, I got you." I just want to know that this is it. It's either yes or no. There is no trick question.

The Chair: Mr Simons, would you mind answering, because sometimes retention is only 20% of what you hear.

Mr Harnick: You know what, Mr Simons—

The Chair: Mr Harnick.

Mr Harnick: Let me just interrupt for a minute. Mr Simons, if you answer that question yes or no, I promise you that when you finish your answer, I'm giving up and yielding the floor, okay? So I'm going to keep going until you answer me yes or no. But if you're prepared to say yes or no, I'm going to quit after you give me the answer because I can't take much more of this buffoonery.

Tell me, are these the draft regulations that presently go with Bill 164 or are there any others? Is this the most modern, up-to-date version that goes with this act? Are there more?

Mr Simons: It is the most modern, up-to-date version of the draft or proposed draft.

Mr Harnick: So is your answer yes?

Mr Simons: It's not the statutory benefits schedule. It is a proposed draft.

Mr Harnick: Well, it's the only one that exists right now.

Mr Simons: Right. It's been circulated—

Mr Harnick: It might be changed—

Mr Simons: It may be changed.

Mr Harnick: —but at the moment, this act refers to that document, because we don't have any others.

Mr Simons: It's not the regulation. A regulation has to be passed under the Regulations Act.

Mr Kwinter: But this isn't the act either, is it?

Mr Tilson: This is a mirage too.

The Chair: I'm sorry.

Mr Winninger: Point of order.

Mr Tilson: Probably the whole darned committee is a mirage.

The Chair: The thing is, Mr Harnick, we've had second reading of the bill.

Mr Harnick: I give up. I'm throwing in the towel. I don't think you people have any clue what you're doing. I don't think you know where you're going. I don't know how you're ever going to get this bill completed at this stage, because you just don't know what you're up to.

The Chair: Mr Owens, you have the floor.

Mr Owens: Thank you, Chair. After close to nine and a half hours of rather interesting debate—

Mr Paul Klopp (Huron): —you're almost at his level.

Mr Owens: Excuse me, Mr Klopp. I have the floor.

Mr Klopp: You're almost at his level.

Mr Harnick: Mr Klopp, you're interrupting your own brilliant man there. He's about to say something profound.

Mr Owens: As per section 47 of the standing orders, I move that the question now be put.

Mr Klopp: On section 1?

Mr Owens: On section 1 to—

Mr Tilson: Mr Chairman, on a point of order: I believe we're on 1, subsection (1)(a).

The Chair: On (b).

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Mr Tilson: Well, we certainly haven't reached subsection (2) yet.

The Chair: We're on section 1. This is the one we've been debating.

Mr Tilson: Section 1, subsection (1). My understanding is that the question that you initially asked was with respect to subsection (1). We haven't got to subsection (2) yet.

The Chair: We've been on that for three days.

Mr Tilson: No, Mr Chairman, we haven't. We've just been dealing with subsection (1).

The Chair: We have. If you check Hansard, that's what Mr Harnick just read out.

Mr Harnick: I was jumping ahead. They told me I had a short attention span.

Mr Tilson: Mr Chairman, the question is what you put to the committee. You put to the committee, section 1, subsection (1). We have yet to go to subsection (2).

Mr Owens: I'd like to repeat the motion I made—

Mr Tilson: Well, it's out of order.

The Chair: It's out of order.

Mr Owens: What's out of order?

Mr Tilson: Your motion.

The Chair: No. I'm saying you're out of order, Mr Tilson.

Standing order 47: "A motion for closure, which may be moved without notice, until it is decided shall preclude all amendment of the main question, and shall be in the following words: 'That this question be now put.' Unless it appears to the Speaker that such motion is an abuse of the standing orders of the House or an infringement of the rights of the minority, the question shall be put forthwith and decided without amendment or debate. If a motion for closure is resolved in the affirmative, the original question shall be put forthwith and decided without amendment or debate."

Mr Harnick: On a point of order, Mr Chairman: This motion only pertains—

The Chair: I'm sorry. There are no points of order on the decision.

Mr Harnick: Then I need clarification. This motion only pertains to section 1, is that correct?

The Chair: Section 1, correct.

Mr Harnick: All right. Thank you.

The Chair: Now I'll put the question: Shall section 1 carry?

Interjections: Carried.

Mr Tilson: But I don't understand what we're voting on.

The Chair: Section 1.

Mr Tilson: Part 1 of section 1?

The Chair: No, section 1, the whole section of the bill.

Mr Tilson: But we haven't dealt with subsection (2) yet, Mr Chairman.

The Chair: I already ruled on it. We've already dealt with section—we started section 1. If you read Hansard for the last three days, we're dealing with section 1. Is it agreed?

Interjections: Agreed.

Mr Hans Daigeler (Nepean): Thank you very much, Mr Chairman. I had my hand up for some time, and I would appreciate that you do listen to me before you move to the vote. So far, I've not had an opportunity to comment on the bill, and I think it is only fair that I be given an opportunity as well to speak on the motion and on the section that is before us.

The Chair: But there's no debate on this, Mr Daigeler.

Mr Daigeler: I'm not debating whether you place the vote or not. You just read from the rules of the House. They clearly indicate that the Speaker shall only put the motion if he feels that everybody had a fair opportunity to present their viewpoints. I would submit to you that I have not had an opportunity to put forward my views. In view of that position, I would urge you to at least provide me the courtesy of making remarks on section 1.

The Chair: I would say that the Liberal caucus and the Conservative caucus have had sufficient time to debate this. If you weren't given time by your whip in your caucus, that is not the fault of the Chair. There is no debate.

Mr Tilson: Mr Chairman, I have a question. Can you tell me, what was the initial issue you raised when this

matter first came to the committee? My recollection of it—if there's Hansard available—is that you asked whether there were any questions or comments with respect to section 1, subsection (1). I don't recall you ever putting on the floor the subject of subsection (2). I don't recall you ever doing that.

The Chair: I would say that I said "section 1."

Mr Harnick: Maybe we'd better check.

Mr Tilson: I think we need to check the record, because my recollection of it is that you asked for subsection (1) of section 1.

The Chair: I said "section 1."

Mr Harnick: Can we check Hansard, please?

The Chair: Are you challenging my ruling?

Mr Tilson: I'm simply asking a question, Mr Chairman. Perhaps we could check Hansard. It would be very simple to do that.

Mr Harnick: Surely you can't deny us a look at the record. You may be right.

Mr Tilson: It's page 1 of Hansard.

Ms Haeck: Mr Chairman, we have initiated a vote, and this side has voted. The opposition has obviously decided that it doesn't want to vote, but the government caucus has voted in favour of moving the question.

The Chair: I made a call.

Mr Tilson: The opposition has not voted, and I ask for 20 minutes so that I can discuss this matter with our caucus.

The Chair: We had the vote.

Mr Tilson: We haven't had the vote.

The Chair: I called the vote.

Mr Tilson: You have not had the vote. I haven't put up my hand.

The Chair: I called the vote.

Mr Tilson: I'm sorry, sir, you have not done that.

Mr Harnick: You haven't said: "All in favour? All opposed?" Where did you say: "All in favour? All opposed?" Just because those monkeys start yelling, "Yeah, yeah, yeah."

Interjections.

Mr Tilson: I don't know what you're seeing over there, Mr Chairman, but we're entitled to have our 20-minute caucus.

The Chair: I'm sorry, but we've had the vote.

Mr Kwinter: You moved closure, and you said there was to be no debate. There was apparently no formal call of a vote.

Mr Owens: Shall we check Hansard?

Mr Kwinter: Yes.

Interjections.

The Chair: Okay, on the vote.

Mr Mancini: Why are you moving closure? Can I ask you that?

Clerk pro tem: He's not moving it. Steve Owens moved it.

Mr Mancini: Well, what's his problem?

Mr Harnick: We just want 20 minutes.

The Chair: Okay, 20 minutes for the vote.

Mr Harnick: Does that mean we now come back at 2 o'clock and we'll have 20 minutes?

The Chair: No.

Mr Harnick: We get 10 minutes now?

The Chair: You get 20 minutes now.

Mr Harnick: We get 10 minutes now.

The Chair: We'll take 20 minutes now.

Mr Mancini: There's no permission to sit past 12.

Mr Owens: No, there's a vote.

Mr Harnick: I thought we sit to 12—

The Chair: We've got a vote. We do have permission to sit past 12.

Interjections.

Mr Winninger: On a point of order, Mr Chair: We're in the process of voting, and the clock doesn't stop at 12 o'clock.

The Chair: I've already ruled that, Mr Winninger.

Mr Winninger: Thank you.

The Chair: So at 10 after we'll have the vote.

Ms Haeck: On a point of order: My concern, Mr Chair, is the fact that by allowing this to dissipate the way it has—the vote has started; this side has voted. As a result of the recess now proposed to be undertaken, does that not compromise the whole procedure of voting?

The Chair: We've got 20 minutes. We'll be back here at 10 after for the vote. We're recessed until 10 after 12 for the vote.

The committee recessed at 1149 and resumed at 1210.

The Chair: After a 20-minute recess, I have ruled that the question of closure is in order. I shall now place that question, that it be put now.

Mr Tilson: Mr Chairman, a point of order.

The Chair: There are no points of order, Mr Tilson.

Mr Tilson: I'm saying there's no motion on the floor to have closure put.

The Chair: All those in favour? Mr Owens put the motion on the floor.

Mr Tilson: There's never been a motion for section 1.

The Chair: All those in favour, say yes.

Interjections: Yes.

The Chair: Opposed?

Interjections: Nay.

The Chair: Carried.

Now I shall place the question, shall section 1 carry? All those in favour, say yes.

Interjections: Yes.

Interjection: You mean we're not having a recorded vote?

The Chair: All those opposing say no.

Mr Mancini: I want a recorded vote.

The Chair: You want a recorded vote? Okay, Mr Mancini, we'll have a recorded vote.

All those in favour of the question, "Shall section 1 carry?" please raise their hands.

Ayes

Dadamo, Haeck, Klopp, Mathysen, Owens, Winninger.

The Chair: All those opposed?

Nays

Harnick, Kwinter, Mancini, Tilson.

The Chair: Carried. Section 1 carried.

This committee will recess until 2 o'clock.

The committee recessed at 1211.

AFTERNOON SITTING

The committee resumed at 1413.

The Chair: We'll resume the clause-by-clause on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. As we got through section 1 this morning, now we're going to deal with section 2 of the bill. Mr Owens, point of order?

Mr Owens: I guess it's not necessarily a point of order; it's more of a request that I would make of my caucus and the caucuses of the two opposition parties, that the clauses we're about to deal with, section 2, up till approximately sections 10 and 11, are mainly of a technical nature that does not necessarily warrant the kind of acrimonious debate we've experienced over the last close to three days.

Mr Tilson: I resent that.

Mr Owens: In terms of my request, I would like to suggest that I think we can move through the sections in a fairly expeditious manner. Mr Tilson has proposed an amendment with respect to section 7 and I think, Mr Tilson, you would like to have that dealt with, and I certainly would like to deal with that, today. I'm asking if we can keep our comments restricted to section 2, which we're dealing with now, and I will certainly keep my comments germane. If we can somehow get through these technical issues that will take place over the next few sections, then I think we'll come out of this probably with some good work done that we can point to.

The Chair: Section 2. Comments, Mr Mancini?

Mr Mancini: Are we supposed to respond to the parliamentary assistant?

The Chair: Oh, okay.

Mr Mancini: Are we supposed to, or can we, get on with the bill?

The Chair: You want to respond to the—

Mr Mancini: We're trying to avoid acrimonious debate. Maybe I will not respond.

The Chair: Section 2, Mr Mancini?

Mr Mancini: I want to ask the legal counsel a couple of short questions before I make my comments to make sure we're on the right track here.

The way I interpret section 2 as it deals with "class of risk exposure" and the definition of "risk" and the "risk classification system"—as you can see, Mr Chair, I'm quoting directly from the bill. I interpret that to mean this section affects how seniors are classified and how their rates are in fact calculated, how the same thing is done for women over 25 and young males under 25. Is that correct?

Mr Simons: In the insurance act, there's a provision dealing with the review of classes of risk exposure and rates that companies planned to use in respect to different classes of automobile insurance. Now, there are regulation-making powers that permit the government currently to prescribe classes of risk exposure and in the bill we propose to change that to deal with risk classification systems.

A class of risk exposure could be something that's prescribed by regulation or it could be an element, much like the kinds of things you talked about: age, driving experience, the territory you live in, the type of automobile you drive. Those would be elements of a risk classification system.

Mr Mancini: So everything I said makes up part of the rate classification system?

Mr Simons: Ultimately, and part of that could be prescribed by reg; part of that could be at the company's own discretion.

Mr Mancini: Thank you. Don't give me any more information than I request because it ends up confusing the committee members and—

Mr Tilson: It may be acrimonious

Mr Mancini: —it may be acrimonious. I remind the Chair that the legal counsel referred to regulations three times in his answer to myself, which was appropriate, I may add, highly appropriate. It's only inappropriate when the opposition members talk about regulatory matters.

Mr Daigeler: That's what the government says.

Mr Mancini: That's what the parliamentary assistant says.

Mr Daigeler: Is that an interpretation?

Mr Tilson: On a point of order, Mr Chairman: Are we now going to get into the regulations on this subject?

The Chair: No, we're not.

Mr Tilson: We're not going to do that? How are we going to talk about it?

The Chair: You can tie it into regulations, but we're not going to talk about regulations.

Mr Tilson: So if we tie it in, we're okay.

The Chair: Yes.

Mr Tilson: I understand.

Mr Mancini: We're breaking new ground here, Mr Tilson. I can tell you from many years of experience that this committee is breaking new ground.

Mr Tilson: This is great.

Mr Mancini: Historians will be delighted with how we've handled things.

My understanding is that it's the government's intention—my understanding is based on what the deputy minister told us who talked about regulations, I want to remind the Chairman, and what all the presenters told us who were interested in classification. My understanding is that the government wants to remove the factors I mentioned earlier, ie, age, gender and things of that nature. Is that not correct?

Mr Simons: I don't want to speak to government policy. I think it's best that the—

Mr Mancini: You can't speak to government policy?

1420

The Chair: Mr Owens.

Mr Owens: As was set out to you in Mr Simons's earlier answer in terms of section 2, this clause is intended

first of all to take some of the confusion out of the meaning of "class of risk exposure," and we introduced a term called "risk classification system." It's our view that this is currently being used by insurers and it will better reflect the manner in which insurers determine rates.

In terms of the third section, which you seem to be alluding to, the elements that will be prescribed can be done either through the legislative process—there will be an amendment later on this bill, should we ever get that far in this committee process, to determine what may be considered, and there will be further regulations on what may not be considered.

Mr Mancini: That's not really what I asked, but I'd like to proceed with my comments.

We have heard extensive testimony before this committee about the ill effects of the government's intention to withdraw the use of age and gender in its classification system. I want to remind the committee, because I think it's helpful and I think the committee accepts the deputations of others probably in a more generous fashion than it's been accepting the deputations made by myself and Mr Kwinter, Mr Harnick and Mr Tilson—so in order to facilitate a discussion that does not disintegrate into acrimonious allegations and political posturing, I want to concentrate not on my personal feelings, what I necessarily think is right or wrong, but I will put my views across. I'm here to buttress my views with the opinions that have been put forward by wide and diverse groups of organizations and individuals. We were unable to get answers in regard to our concerns when we were doing section 1.

It's disconcerting to no end that I have all of these deputations here that I wanted answered concerning section 1. I wanted answers to these, and we wasted the entire morning worrying about whether or not the draft regulations that were tabled by the deputy minister were in fact something that existed or didn't exist. It's beyond me, the discussion that took place this morning.

I want to know why the government is not listening to the people who came before this committee. I can accept the fact that they do not want to listen to me and they don't want to listen to the experience of Mr Kwinter. I can accept that you don't like the Ontario motorist protection plan and you want to get rid of it, no matter what disruption you cause to the industry or to the consumers or to all the stakeholders, the 7 million or 8 million Ontario drivers who have to buy insurance. I can understand that you don't want to listen to me, but maybe you might want to listen to some of them.

Since we were unable to convince the parliamentary assistant and others to respond to all these concerns that I didn't even get a chance to put on the record, let's see if we can do a little better with the concerns that some of these other groups have with regard to rate classification and what that means and what that does and how that affects real people.

Mr Chair, you were with us throughout the hearings and so was the parliamentary assistant, and I know you remember the presentation made by the Ontario Mutual Insurance Association. I'll get to every point in due course, Mr Chair.

The Chair: Mr Mancini, there was just one point as you started there: The deputy minister did not table the draft regulations. They were draft only. They weren't tabled, so I just want to correct that they haven't been tabled.

Mr Mancini: You don't want to get back to section 1, do you?

The Chair: No. You referred in section 2—that's why—

Mr Mancini: I said the deputy minister referred to these regulations.

The Chair: If you check Hansard, you had said "tabled."

Mr Owens: Let's move forward.

The Chair: So let's move forward, okay?

Mr Mancini: Do you want to get back to section 1?

The Chair: No. This is in section 2 that you said it.

Mr Mancini: Okay, thank you. But we can't speak about this because you've ruled. You've taken the parliamentary assistant's advice that we can't speak about what the deputy minister spoke about. It's not allowed. We cannot talk about the regulations.

Mr Tilson: You can refer but you can't speak about it.

Mr Mancini: I refer the committee to maybe something the Chair will allow us to talk about, and that's the Ontario Mutual Insurance Association, which came before our committee. For the members and my colleagues who were not with us on that particular day, they should know that there are 51 such mutuals operating in Ontario. I'm sure Mr Klopp must have some experience with these organizations. Most of them have been in operation for over 100 years, so we're hearing from people who have been in the business, particularly in the rural communities, for over 100 years. We're not hearing from some novice newcomers who may not have any experience with automobile insurance or in dealing with governments or in dealing with the consumers of automobile insurance. We're actually dealing with people who have a 100-year history to rely on.

Mr Klopp: A point of clarification: Most mutuals never really got into auto insurance except maybe in the last 20 years, maximum. Maybe some of them a little longer, but a vast majority of mutuals were only in building and wind insurance. In fact, most in my area just started in the last 10 or 15 years with auto insurance.

Mr Mancini: I'm sure part of what Mr Klopp says is correct, but I can only go by the brief.

The Chair: Mr Mancini, I have met with them also in my office, and what they were trying to do was round off the insurance so they would have the household insurance and they would have the car insurance too in their rural communities.

Mr Mancini: But do they have 100 years' experience like they say in the brief or don't they?

The Chair: They do have a 100 years' experience in the insurance business.

Mr Mancini: Thank you. I appreciate the clarification. They came before the committee and under the section

about classification system, this is what they had to tell us. First of all, they acknowledged how difficult a matter it is, and they go on to say: "This is a difficult issue to deal with....In 1988, the farm mutuals made representation before government bodies studying this issue." So you guys aren't the first ones who have ever looked at this. It's not new ground you're trying to break.

Then they go on to say: "At that time we expressed our opinion that a classification system that recognizes age, sex and marital status is preferable to one that results in cross-subsidization." They go on to say: "We support the implementation of a uniform class plan that is acceptable to consumers. However, we believe any such change would only be accepted by consumers if it did not result in extensive rate dislocation."

I specifically underlined that last sentence which said, "if it does not result in extensive rate dislocation," because from the information that we received before this committee and because of information that was made available to governments prior to the election of the New Democrats and prior to the formation of this committee and prior to the introduction of Bill 164, all information made available pointed in the direction of extensive rate dislocation. Let me say that in plain English.

1430

The Chair: Order. I can't hear Mr Mancini.

Mr Mancini: Let me say it in plain English, that if you remove age, sex and marital status, as has been indicated by the brief made to us by the mutuals, the rates are going up, right through the roof maybe. They're going way up, and we want to know why it's preferable, why the government members prefer a system that is going to drive the rates paid by senior citizens higher.

All of us know and realize that most seniors are on fixed incomes. Some have some savings put aside if they're lucky. A lot of them don't. If some do have savings put aside, if they're in that fortunate position, interest rates at the bank these days for savings accounts are not all that great. You have to go and put your money in riskier situations in order to try to obtain a higher return. I'm not sure we want to encourage our senior citizens to do that.

So I'm looking at this situation, and I'm sure Mr Klopp will agree with me when I say that the Ontario Mutual Insurance Association, the mutuals, is a pretty highly respected organization. I don't think they would come and make this presentation just for the fun of it. I don't think they'd come before this committee and before they arrive say, "You know, we've got to figure three or four things we might want to talk about, so why don't we talk about what we think might happen under the proposed new rate classification system?" I believe, and I think everybody else on this committee believes, that they gave this matter a lot of thought and research and they looked at historical data, and based on all of that—experience, research, historical data, new calculations, the whole gamut of things—they're quite concerned. They say very clearly that if that is what your system is going to do, then don't do it.

Now, we went through the whole hearings, and my colleagues here on my left were with me and my colleagues

sitting on the other side were with me also. I can't recall what the parliamentary assistant said, but I don't remember anyone clearly saying to me and to the mutuals that came before us—and I will not refer to the regs, because I'm afraid I might be ruled out of order: "Don't worry about this, because we're going to guarantee the senior citizens in Ontario that their rates won't go up and we're going to respect the fact that statistically they are good drivers. Seniors are good drivers. We're going to respect that fact, and we're not going to hammer you with rate increases because we think we want to eliminate age, sex and marital status from how we set automobile rates." I haven't heard anybody say that.

We weren't allowed to complete our arguments on section 1, which in my view, next to this section, is probably the most important matter of debate.

Is he giving you more advice?

The Chair: No, no.

Mr Owens: I'm asking if I'm on the speakers' list. Why don't you continue your diatribe?

Mr Mancini: Because we're worried here. The opposition members are worried, because every time the parliamentary assistant speaks, the Chair calls somebody to order.

Mr Winninger: You shouldn't be so insecure.

Mr Owens: Why don't you continue your apology for OMPP?

Mr Mancini: We're a little bit sensitive right now, because we didn't get a chance. I didn't get a chance to finish my—

The Chair: Mr Mancini, he whispered to me. He didn't interrupt you, and I was listening to you.

Mr Mancini: I know, Mr Chair, but every time he mumbles under his breath, you call somebody to order, and we're a little sensitive to that point right now.

Mr Owens: I think you're way out of line.

The Chair: I'm the Chair.

Mr Mancini: We want you to be the Chair.

The Chair: I am the Chair.

Mr Owens: You're way out of line.

Mr Mancini: We want you to be the Chair.

Mr Owens: You're way out of line.

Mr Mancini: We had to take a vote at 10 minutes after 12 to conclude a section we had not finished speaking on, which is one of the most profound sections of the act.

Mr Owens: After nine and a half hours of debate.

The Chair: I'm sorry, Mr Owens. Mr Mancini.

Mr Mancini: We have this highly regarded, long-standing organization that came before the committee and made those presentations. I have to ask myself, is the government listening? Why are we having these hearings? Why did we invite these people to make their presentation? It doesn't appear that we're in fact going to listen to them. It doesn't matter how much we cajole the government, how much we prod the government. It doesn't matter how many times we ask. We're not going to get a clear answer. There will be some answer, I assume.

But we also had the opportunity to listen to some industry people from Thunder Bay when we were up there. The president and general manager of Thunder Bay Insurance Services Ltd, Mr Baxter, came before the committee. I think you were listening along with the rest of us at that time. In the gentleman's brief, approximately page 4 at the bottom, he states, "In regard to the new classification system, at times I can fully agree that the new driver pays far above affordability in comparison with their chance to prove themselves through their driving record." The brief goes on to say, "But as many accident statistics still prove, after reviewing statistics as late as December 1992"—I tell the government members, this gentleman was right up to date; it wasn't last year, four years ago; as late as 1992, he states—"for our city"—the entire city of Thunder Bay—"new and youthful drivers still cause the majority of accidents."

I'm sorry to hear that. I'm sorry to hear that our youth are putting themselves in danger like that. Most of us in this room are parents, and if not, we have good friends who are parents. We certainly have a lot of young constituents whom we represent. I join with everyone else who feels some sort of remorse that, as this gentleman said, "Based on statistics as late as December 1992...new and youthful drivers still cause the majority of accidents."

There's no road safety agency to help out there. No, none of that, but we're going to have a new classification system so we can hammer the senior citizens, though. That's our answer. Our answer's not the road safety system to protect new and youthful drivers. No, we haven't had time for that.

The gentleman goes on to say in his brief, "Rather than having cabinet devise a new classification system, would it not be better that the ministry and the industry provide rating changes that address 'innocent until proven guilty.' It is also a fear that devising a new classification system may increase costs for the average driver. This may increase the possibility of more uninsured drivers due to increased costs...."

This is not idle speculation, because all of us remember when the motorcycle association organization came before us. We remember their presentation. They told the committee that at the present time maybe 6% of their members drive without insurance. If we go ahead with Bill 164—

The Chair: I think that's incorrect. It's not their members; it's motorcycle riders.

1440

Mr Mancini: Thank you for the correction. That's even worse. Thank you, Mr Chair. I appreciate that. The point they made, then, is even of greater significance than I had thought it to be. I thought it was just their members, but it's everybody. That's far worse.

They also told the committee that if the government proceeded, in all its wisdom, to implement Bill 164—and I remind the government members that this is not an opposition member talking. This is the organization that came before us. I know you don't like our ideas.

Mr Owens: But Mr Tilson made an amendment and we'd like to deal with it.

Mr Mancini: I know that and I appreciate the advice coming from the parliamentary assistant.

The Chair: Could I just talk to Hansard? Would you please not turn the mike on unless I address a member.

Mr Mancini: So now we have a situation, and the Chair dutifully corrected me and gave the committee the proper information, that this association representing motorcycle owners and riders told us that 6% of all motorcycle owners and riders do not carry insurance, principally for economic reasons.

If we go ahead with Bill 164, we're going to drive rates up—everybody knows that—and they told us that possibly 9% to 12% of motorcycle owners and drivers would not be carrying insurance. I'm assuming that some of those motorcycle owners and operators are older. I don't think it's just young people who ride motorcycles. I think times have changed. They're older.

Under this new rate classification system, the older riders' rates are going up; seniors' are going up. I would also assume that there are some women, maybe many women, who drive motorcycles. Is that not true, Mr Chair?

The Chair: Correct.

Mr Mancini: Thank you. I would assume that because of this classification system that we're dealing with, their rates are going to go up. I maintain to the committee that not only have we forgotten about the road safety agency, which this gentleman in his brief doesn't come right out and say anything about on this particular section, but tells us what's happening because we have none, I would maintain that not only are we driving the rates through the roof for certain segments of drivers, but we're going to be forcing people to drive around without automobile or motorcycle insurance.

I have to sit back and say: "Well, we've gone through this once before. We have personal experience in trying to do what you're trying to do, and the personal experience taught us that it wasn't a very clever thing to do. It was not the right thing to do."

You have our experience. We paid the political price for trying to do that without fully knowing the consequences. So here we are. We've done all the political work for you. We took the political consequences. We retreated when we realized how big a mistake it was, and we turn around and we're looking across the floor at a group of people who want to do it all over again. I'm saying to myself, "Why?" Do you not believe it didn't happen before? Do you not believe the farm mutuals? Do you not believe Mr Baxter, the president and general manager of the Thunder Bay Insurance Services Ltd? Do you not believe him when he tells the committee that as late as December 1992 for the city of Thunder Bay, new and youthful drivers still cause the majority of accidents?

I don't know what the government members believe. All I know is that you want to proceed with this new rate classification system, and we know what the results of that are going to be: higher automobile rates for senior citizens, more motorcycle owners and drivers on the roads without insurance, more working women who traditionally and still to this day earn less than their male counterparts, who

are going to have to pay more. They're all going to have to pay more.

I refer the committee to a presentation made by Jo-Ann Menard, also from Thunder Bay. She's involved with one of the general insurance brokers in that area. She says, "Bill 164 provides for government regulations"—can I use that word "regulations," as I'm quoting?

The Chair: You can use that word there if you're tying it in.

Mr Mancini: Thank you, Mr Chair. Yes, I'm going to try to tie it in.

The Chair: But we're not going to discuss the regulations.

Mr Mancini: No, I will not discuss these regulations that the deputy minister discussed in his presentation.

The Chair: Okay. I've even got a picture of you with him there earlier in Hamilton, remember?

Mr Mancini: Do you? Yes, it was good, actually, and my wife liked that picture.

The Chair: But they're really not real.

Mr Mancini: No.

Mr Mancini: These regulations were talked about by the deputy minister, but we cannot talk about them because we don't know whether or not they're real. We heard from legal counsel. He doesn't know either, and he's legal counsel. We heard from the parliamentary assistant. He's one step away from the minister's seat and he doesn't know if these are real either.

The Chair: That's why we don't want to discuss them too much.

Mr Mancini: No, we don't want to discuss the regs, absolutely not.

Mr Daigeler: Just tie them in, that's all.

Mr Mancini: We're just going to tie them in. If Mr Endicott ever comes back, and we're begging him to come back, maybe he could tell us about the regs, because we understand he had a hand in doing this.

But anyway, Ms Menard says: "Bill 164 provides for government regulations of risk classification. In 1987"—the members will remember I was talking about a previous experience. I think Mr Kwinter still has a few marks on his—or was it Mr Elston? Was it you at the time, Mr Kwinter?

Mr Winninger: Where is Murray? Are we going to hear from Murray?

Mr Mancini: "In 1987," Ms Menard says, "at that time, the Ontario Automobile Insurance Board examined"—listen, I say to the government members; this is important stuff—"changes to the risk classification and, after much discussion and in-depth study, the proposal was abandoned as not being economically feasible."

The government agency in charge of automobile insurance looked at the situation, discussed the situation, concluded in-depth studies and then abandoned the proposal.

"As a result of a uniform rating system, women"—I say to Ms Haeck and Ms Mathysen—"in all categories, who have traditionally enjoyed better driving records, as

well as mature drivers, will be required to share the cost of claims by younger and higher risk drivers—specifically males under the age of 25."

I want to hear later on, either from Ms Haeck or Ms Mathysen.

Mr Owens: Or the parliamentary assistant.

Mr Mancini: No, I don't want to hear from the parliamentary assistant. He confuses things.

Mr Owens: What, with facts?

Mr Mancini: The parliamentary assistant's problem is that he has one eye on being parliamentary assistant and one eye on being a Minister without Portfolio, and that in my view clouds his perception. He is no longer an objective participant because he believes, and he must have information to make him believe this, that if he gets this piece of legislation through—it doesn't matter if it's good law or bad law—if he does this dirty work for Minister Brian Charlton, then he'll get to be a Minister without Portfolio and join those other seven ministers without portfolio.

Mr Daigeler: I don't know what he would do then, though.

Mr Owens: So Eric Endicott and I can now dine out together on abuse stories, is that right?

Mr Daigeler: Who has the floor here?

Mr Mancini: I have no idea what you and Mr Endicott will do, whether you'll dine out together, whether you'll develop new policy together.

The Chair: Would you get back on the subject of section 2.

Interjection.

The Chair: I'm sorry, Mr Owens's mike isn't on. Sometimes as you get older, you start talking to yourself.

Mr Mancini: You think so?

The Chair: So that's the problem, Mr Mancini. I've had a few other members of the committee also do this.

Mr Mancini: Do you think that's why Bill 164 is so screwed up?

Mr Owens: Are you insulting senior citizens now too?

Mr Mancini: Anyway, I don't want to hear from the parliamentary assistant and I've explained why: He has a different agenda. But I want to hear from Ms Haeck, because I personally believe that she and Ms Mathysen do not have one eye on what this committee is doing and one eye on the potential of being ministers without portfolio. I don't believe that. I've sat in other committees with both those ladies and I know differently. So I want to hear from them, and I know they have the answers or else they wouldn't be supporting it; that's obvious.

The Chair: Mr Mancini, are you giving them the floor?

Mr Mancini: No, when I'm finished; just a notation for them to make.

Mr Owens: The 1993 terminology is women, not ladies, by the way.

1450

Mr Mancini: Mr Owens corrects me. He tells me that I should refer to Ms Haeck and Ms Mathysen as women

and not ladies. That's fine. That's not a problem. They showed no objection. I don't know why you're objecting, Mr Owens.

Mr Owens: They're stunned by your ignorance.

Mr Winner: Why don't you talk to John Crosbie about it?

Mr Owens: This will be an interesting exchange to send to some of the women's groups.

Mr Harnick: The Four Horsewomen of the Apocalypse: I'll bet if you said something like that to Irene or Christel, they'd take it as a compliment.

Mr Owens: In your circles, you're probably right.

Mr Mancini: It's obvious the Chair can't control the parliamentary assistant, but we'll just have to speak over his constant interjections.

I want to know from Ms Mathysen and Ms Haeck, after we've concluded our remarks and they get their opportunity to make comments on this bill, either at this stage, during these particular committee proceedings, or during committee of the whole House—there'll be another opportunity that'll give them more time and there will be third reading debate—specifically why they're ignoring the presentations that have been made, specifically the presentation made by Ms Menard who appeared before our committee.

I want to know why they will be voting for a bill that will raise automobile insurance rates on women, when we all know their driving records are statistically better than young males and when we all know their earning capacity is consistently less than monetary remunerations earned by men.

Ms Menard goes on to state:

"A change of this nature would also limit competition among the insurers. The present system allows a series of specialized discounts which benefits a variety of consumers, and a number of these discounts are especially beneficial to Ontario seniors. Seniors are on fixed incomes. They cannot afford the increased cost of such change."

Let's for a moment presume that Bill 164 becomes law and let's for a moment presume, Mr Chair, that section 2, which is part of the bill as it reads, also stays intact and becomes law. Let's presume that in your constituency, Ms Mathysen's constituency and Ms Haeck's constituency there are a number of sole-support families headed by women, and in Mr Klopp's riding and Mr Johnson's riding—they both represent many thousands of seniors. Let's presume that in all of these constituencies, all of Bill 164 has an impact on these people.

Let's presume for example that these women I'm referring to, who may be on their own trying to raise a family, maybe they're budgeted right to the penny. They've got some money set aside for a rent increase or an increase in property taxes or an increase in fuel costs or hydro, and let's say they've budgeted everything right down the line. Let's say they're paying \$800 or \$1,000 a year for automobile insurance and this bill is put into place. Let's say that some of the presenters who came before the committee are right and that maybe seniors' rates, like the seniors themselves said, are going to go up 45%, and maybe, as we saw

in other sections of actuarial reports, rates on women will go up 25% or 30%.

So just for the sake of making everything simpler, let's say these people are facing \$300 and \$400 more for automobile insurance than they had anticipated. Maybe they felt, like most people in Ontario, "Well, inflation's kind of low, the local municipal council's trying to keep tax increases at 2% or 3% and everybody's trying to do the same," so they're going to budget 3% or 4% more for their automobile insurance, not 25% or 30%.

All of this takes place and transpires and they go to renew their automobile insurance, and their friendly broker says to them: "I'm sorry to have to tell you but the government, in all its wisdom"—that means all of you people—"even though you didn't ask for it, decided that you needed Bill 164; and not only did they decide that you needed Bill 164, they decided for you that you should pay more for it. You should pay more for this new product that you didn't ask for. So if you want to drive to work, if you want to drive your children to day care or if you want to drive to visit your grandchildren, you've got to pay \$300 or \$400 more."

I can imagine what the consumer will say. She will say: "Well, you know, I'm working in a small plant and we only make \$8 or \$9 an hour. The economy isn't that good and we're in a very competitive industry. Maybe our employer may be able to give us a raise this year or may not be able to give us a raise this year. We're going to ask." But I can tell you one thing she will say to the broker: "I know for a fact I'm not going to get 25%. I may not get \$300 for the entire year and I've got a budget for rent, for utilities, for food, for children's clothing and maybe one or two of the simple things in life for my kids too, like maybe skating or tap dancing or something like that. You know, my kids deserve that too and you people are taking my money. I could put my kids in skating lessons all year for \$300, and bring them a little bit of enjoyment in life. I didn't ask for Bill 164," she might say. Those are the real repercussions of what you're doing.

The senior citizen is not much different. The government of Canada is not raising the Canada pension plan and supplements to the tune of 45%, nor is any other government giving them benefits of increased value of 45%. I can just picture seniors, maybe in their 70s. They're trying to stay in their own homes. They're trying to look after themselves. They don't want to bother the children. They want to set aside \$20 for their grandchildren's birthdays, for small Christmas presents, you know, what real people do, what real people strive to do if they're able to do it, what their hopes and aspirations are. Their hopes and aspirations aren't that great, but I can tell you that I think it would hurt a lot for a senior not to set aside \$20 for somebody's birthday.

So we've got this great system now. You and your partners in government and all of your experts in the ministry have come up with Bill 164, so fine. Okay. You guys want to proceed, so you have to hear what the consequences are.

1500

So the seniors go to the broker, and the friendly broker says: "How are you, sir and madam? How have you been?" "Oh, fine. We've had a tough winter. We've had to replace the furnace. We never thought we'd have to replace the furnace. We thought we could get 25 years out of it, but we only got 18."

The Chair: Mr Mancini, could you sort of stay on section 2?

Mr Mancini: Yes, these are all—

The Chair: You've got a lot of colour in this story, but—

Mr Mancini: It's not colour; it's reality, Mr Chair. It has nothing to do with colour.

Mr Owens: It's interesting too.

Mr Mancini: It has everything—and I know the parliamentary assistant thinks it's a big joke.

The Chair: We're talking about the furnace that's breaking down, but you know—

Mr Mancini: No, no. I'm saying that the repealing and the changing of the risk classification has real-life impacts on people, and you people have to sit here and listen to what those impacts are. Everything I've said has been connected to section 2. I know he wants to make light of it. He wants to interrupt me.

The Chair: Okay, he's got a—

Mr Owens: Chair, on a point of order: I was asking the member for Windsor-Essex to continue his story as I found it quite interesting. I'm sitting here listening quite carefully to what the member is saying.

Mr Mancini: Well, we're very sensitive because of what the Chairman did earlier.

Mr Owens: In terms of your comments that I am making light of this situation, that I find these comments amusing, they are simply not true.

Mr Mancini: Okay, thank you. I appreciate that.

Mr Owens: I wish you would withdraw those from the record.

The Chair: It's not a point of order, but yesterday I told Mr Harnick to come back to some reality. He was getting off also, so just to be fair to Mr Harnick, I was just trying to—

Interjection.

Mr Mancini: This is reality. Go on out and meet your constituents; you'll see that this is reality. And I appreciate what the parliamentary assistant has told me and I'm sorry that I made the comments I did about him, but we're very sensitive today because of what happened this morning. I appreciate the fact that he's listening.

Mrs Irene Mathysen (Middlesex): Why is he sensitive?

Mr Winner: He had to vote. We voted on this section.

Mr Mancini: I didn't get a chance—

Mr Winner: We passed a section this morning.

Mr Owens: Do you believe it?

Mr Mancini: Yes. You've got a majority. You're going to get the bill. The least you can do is listen to the concerns that we have.

Mr Winner: You've got a captive audience.

Mr Mancini: So the seniors go visit their friendly broker, and they're middle to maybe late 70s, and he says: "Well, Bill 164 is now passed, and your automobile insurance last year"—to use round numbers—"was \$1,000. The actuaries and others who made their case before the finance committee of the Legislature were right. Your rates are going up 45%." Let's round it off. Let's say they only get hit with 40%. That's \$400.

The seniors say to the broker: "Well, you know, under normal circumstances, we probably could dig in to our savings account and pay the extra \$400, but we've just replaced our furnace," or "We just had some new plumbing done," or "We just had to redo the shingles on the roof." These things happen. And they don't happen when you plan for them; they happen when you don't plan for them. You're going along and your roof leaks and you've got to call the carpenter, and he comes around, or she, and says, "You need a new roof." And you say to yourself, "Jeez, I didn't get 20 years out of it, I only got 18," or "I was lucky. I forgot how long I had that roof. I did get 20 years. But I never expected \$400 more for my automobile insurance."

The senior will say, very patiently, to the broker: "Could you please tell me what extra I'm receiving for my \$400 more? Am I going to get something that I can give to my family, to my grandchildren, that I can give to my spouse that maybe I can use?"

I sat through these entire hearings. I didn't hear from anybody, not from the government members, not from the parliamentary assistant, not from the group of ministry officials who worked on this special team that created this, not the deputy minister, who came in and talked about the draft regs that we can't talk about. I didn't hear from any of those people what these seniors are going to get for the privilege of paying \$400 more.

They're going to get a product called Bill 164. Did they ask for the product? Well, the answer has to be no, because the United Senior Citizens of Ontario, which represents 380,000 seniors, came in and told us they didn't ask for this. But they're going to get it anyway, whether they asked for it or not. And what privilege goes along with getting this? I say to my colleagues, what privilege are they going to get along with this Bill 164? Something they didn't ask for: They're going to get the privilege of paying \$400 more.

I say to myself, I think of some of my constituents who have maybe four, six or eight grandchildren; how many real birthdays could \$400 look after? How much joy could seniors receive from visiting their grandchildren and making a modest gift on someone's birthday? How much joy do they receive from that? I would say quite a bit; I would say a lot. I don't know what you guys are going to say when you get your chance to speak. I don't know what you're going to say, but I would be pretty offended if I was a senior. I'm offended for them for many reasons. The

principal reason is because we've tried this exercise once and it's proved to have been the wrong thing to do back then and nothing has changed to make it the right thing now. The only thing that's changed is the political party in power. That doesn't make charging seniors 45% more for changes in automobile insurance that they didn't ask for right. It doesn't make it right. That's what you're doing; you're robbing people of the little bit of joy they try to get out of their daily lives; \$400 will take care of a lot of birthdays and bring a lot of joyous moments.

Where's the \$400 going? It's going to the broker, then he's going to turn around and send it to some company here in Toronto and they're going to turn around—they're going to do something else with it and the end result is male drivers who are statistically proven to cause most of the automobile accidents etc, etc, etc—well, their rates can go down. The seniors don't have the same opportunities as the young males. The seniors can't go out and take a part-time job or things of that nature. That's the direction we're heading in and we're not happy about it, not a single bit.

I want to conclude by saying that Ms Menard told the committee seniors are on fixed incomes and they cannot afford increased costs of such change. Imagine, passing on these costs to seniors and others who don't want the changes, don't get anything for the changes, and then asking them to pay more.

When we were in Ottawa we heard from others. A Mr J. Scott Kirby came before the committee and he talked about this issue. He said, and I quote, "A uniform classification system will result in higher premiums for the average driver above age 25 and it will remove specialty rating categories for individuals who qualify as a senior citizen."

Mr Kirby, the broker who has to sit across the desk or be in the office waiting for the seniors and women when they come in, doesn't want to have to tell these people they've lost whatever benefits they're receiving under the present rate classification system, because he does not want to have to look these people in the eye knowing full well he's taking money out of their pockets that they need to do other things that happen to be important in their lives.

For the life of me, I can't understand why it's your wish to do that. I have no idea why it's your wish to do that. I couldn't imagine. I might say to myself, "It's never been tried before, so it's a stab in the dark and maybe their conclusions may end up being correct," but it's not a stab in the dark. We've been on this road; we've been down this path. It's led to nowhere. We retreated when we found out what the results were going to be, what the implications were going to be, how it affects people unfairly; we retreated.

I'd like to know some time during the rest of these proceedings what Mercer, the government's New York consultants, had to say about this. I'd like to know. I don't think I got the chance to ask them when the Mercer people were here with the deputy minister. I'll tell you why, Mr Chair. Because the deputy minister spent so much time talking about these regs that we can't talk about that we didn't have a chance to talk about some of these other things.

1510

Mr Harnick: It's not relevant.

Mr Mancini: I'm sorry?

Mr Harnick: It's not relevant.

Mr Mancini: No, it's not. We cannot talk about the regs.

Mr Harnick: Only the consumers get the regs.

Mr Mancini: We cannot talk about the regs, but I wish that we had the ability to call Mercer back and the deputy minister back and I wish we had the ability to call the top officials from the Ontario Insurance Commission before we adjourn and before we go to committee of the whole House when we return to session.

The Chair: Aren't we going to be getting this done by Thursday, this bill?

Mr Mancini: Yes, everything will be done by Thursday because you guys have the numbers. You'll push this new accident schedule scheme through that we can't talk about.

Mr Owens: It's not on the table.

Mr Mancini: You'll push that through, as it states in section 1. You'll push these regulations, these new rate classifications through. It doesn't matter that the seniors, the young women or women with families, with obligations they can't meet, will be hammered. We know you're going to go ahead.

The Chair: I was a young driver at one time and I wound up getting married to get the rate of someone over 25; I guess that was a mistake.

Mr Mancini: Mr Chairman, we know that very few things that you've gone were errors.

Mr Owens: The marriage or the—

The Chair: Marriage to get lower insurance.

Mr Mancini: We know that you've made very few mistakes. The only mistake I can recall is the one you made this morning.

Mr Harnick: Ron, how did it turn out?

The Chair: That was number one.

Mr Harnick: Not good. Was it worth the saving?

The Chair: Mr Mancini, you have the floor.

Mr Mancini: I wish we could get the Mercer people back and, as I said, the brain trust from the Ontario Insurance Commission, because I'm sure that there are people there today who were there in 1987 or 1988, before the agency was changed, and I know they could give us a review, chapter and verse, as to what happened the previous time something like this was put forward.

I'm just looking at the rates provided to us by the State Farm Mutual Automobile Insurance Co and I'm looking at a single female, aged 21 to 24, and I'm looking under the section that says, "Examples of the effect of eliminating gender of driver as a rating factor." If you happen to live in Toronto your automobile insurance will go up 22%, even though statistically, as a group, you're proven to be good drivers. If you live in Sudbury your insurance premiums will rise 23%. If you live in Windsor—I know my colleagues

George Dadamo, Wayne Lessard, Pat Hayes and David Cooke will be very keen to know that the rates of single female drivers aged 21 to 24 will go up 23%, as is the case in Ottawa.

Mr Harnick: How about David Cooke's brother? Where does he live?

Mr Mancini: He lives in Windsor also.

Mr Harnick: Didn't we meet him?

Mr Mancini: Yes, we met him.

Mr Harnick: And did he like this bill?

Mr Mancini: No, he did not like this bill.

Interjection.

Mr Mancini: He didn't like me either, that's true. He said I was a career politician who did not want to give the NDP government its due legitimacy. That's what he said.

The Acting Chair: I don't want to restrict you, Mr Mancini, but could we focus on section 2 of the bill, please?

Interjections.

The Acting Chair: Order. Could we focus on section 2 of the bill, please? You have the floor, Mr Mancini, not Mr Harnick.

Mr Harnick: I have just a little aside there.

Mr Owens: It's tied in though, right?

Mr Harnick: Very tied in. Mr Cooke made a very good presentation.

Mr Owens: He called the member "pathetic," as I recalled.

Mr Harnick: He made a very good presentation.

Mr Mancini: Does that bring you a little bit of joy, Mr Owens?

Mr Owens: Absolutely, it does.

Mr Harnick: Unfortunately, the member wasn't the issue. Bill 164 and the regulations were the issue.

Mr Owens: But it was tied in.

The Acting Chair: Mr Mancini, proceeding with this bill brings the Chair great joy and perhaps we could move on with section 2.

Mr Mancini: I'm just amused at what brings Mr Owens great joy. He's amused that someone would comment and call me names, but he's not as amused with the effects that this bill has on seniors and single moms trying to—

Mr Owens: I'm quite pleased waiting to respond to you on your diatribe.

The Acting Chair: Perhaps we could continue and our conversations could come to a close.

Mr Mancini: You know how Mr Owens feels about the comments that I gave earlier. He considers it a diatribe. That's great, Mr Owens.

Mr Owens: I don't want to confuse you with facts.

Mr Mancini: Just a few moments ago you told the committee, when you interrupted, that you were very concerned about the points I was making—

Mr Owens: I am very concerned.

Mr Mancini: —and you were very moved that some single moms might not be able to—

Mr Owens: That's right, and we're going to address those single moms as well.

Mr Mancini: Okay. That's great, Mr Owens.

Mr Owens: I'd also like to talk to you on a Supreme Court of Canada decision you seem to be ignoring.

The Acting Chair: Perhaps we could move on, Mr Mancini.

Mr Mancini: Mr Chair, you seem to sit there and allow the parliamentary assistant to intervene at will.

Mr Tilson: He can mutter whenever he likes.

Mr Mancini: He can mutter whenever he likes. He can tell the Chair when to have votes. He can tell everybody when we've had enough debate. He can make motions. He can run the committee. He doesn't want to be a parliamentary assistant or a minister without portfolio; he actually wants to be the Chair of the committee.

The Acting Chair: With respect, Mr Mancini, you have the floor and perhaps you could continue speaking rather than have everyone sit by in dead silence.

Mr Tilson: Try and protect the speaker.

Mr Mancini: I don't have the authority to call Mr Owens to order; you do. That's your job. So I guess, based on what Mr Owens has just said and the very aloof way he's said everything, that the United Senior Citizens of Ontario, who came before this committee on January 28, 1993—I guess that everything they said in their brief wasn't worth the paper it's written on. I guess, based on what Mr Owens said, because of the great benevolence of the NDP government, everything Mr Kirby said to us when we were in Ottawa is not worth the paper it's written on. I guess everything that Ms Menard said, people who've been in the business all their adult lives, I guess that's not worth the paper it's written on either.

I have to sit back and wonder why, when these people came before our committee, Mr Owens didn't make light of their comments, why he didn't have snide remarks for them, why he wasn't able to have the willpower to use words like "pathetic" and all these other things and make light of things and try to make personal insults towards people and all that kind of stuff. I can't think of a single reason why, when Mr Baxter was before the committee and he gave us this information, we didn't hear from Mr Owens.

Mr Klopp: On a point of order, Mr Chairman: What has this got to do with section 2 of this bill?

Mr Mancini: It has everything in the world to do with section 2, Mr Klopp.

1520

Mr Klopp: As a point of maybe personal privilege, I think it doesn't. Mr Harnick started talking and Mr Owens started talking and all of a sudden we got off on another banter. I think, Mr Chair, we should get back to section 2 of the bill and forget this little pettiness that some members have.

The Acting Chair: I appreciate, Mr Klopp, that you share my concern that we focus on section 2 and proceed. You have the floor, Mr Mancini.

Mr Mancini: Everything I've said, Mr Klopp, and to you, Mr Chair, is related to the briefs. The sections of the briefs, for your edification, that I'm quoting from relate directly to section 2. If I happen to have to mention the comments, the insinuations and the out-of-line statements made by the parliamentary assistant which I cannot accept, as part of my presentation to the committee this afternoon, then you guys are all going to have to get a little bit thicker skin.

The Acting Chair: I think we have thick enough skins already and we shed them regularly, Mr Mancini.

Mr Mancini: How about some common sense, then? How about a little bit of common sense?

The Acting Chair: Please continue.

Mr Mancini: How about listening to the farm mutuals that came before us? There was no one at that time with the courage to make light of their presentation. Only when their presentation is used in our committee deliberations are the presentations made light of. No one had the courage to say anything to these people when they were before us. We've got a lot of courage now, since we're not on cable television for others to watch us, since we're all cloaked under the secrecy of committee room 1, where the only witnesses we have before us may be one or two representatives of the automobile insurance industry, a few civil servants and people attached to this committee.

The Acting Chair: To be fair, Mr Mancini, other committees have a right to broadcast time as well.

Mr Mancini: What's your problem, Mr Chair? You seem to want to make an editorial comment after every paragraph that I speak.

The Acting Chair: No, I'm quite happy to have you proceed.

Mr Mancini: Why don't you just sit in your chair and allow me to do what it is my job to do?

The Acting Chair: I thought you were addressing your comment to the Chair.

Mr Mancini: I've never sat in a committee where the Chair felt it necessary to make editorial comment in such a continuous manner towards a member while he was making his presentation.

The Acting Chair: I'm sorry, Mr Mancini. You were addressing questions to the Chair.

Mr Mancini: I'm told that I'm to address the Chair. Are you not familiar with the standing orders?

The Acting Chair: No, but you were questioning why we weren't on TV and I was providing you with an answer.

Mr Mancini: Now we're not allowed to ask rhetorical questions. Now our rhetorical questions are even up for grabs. What a sad situation. It's two years and counting down. That's the good part.

A lot of courage today; not a single one of the government members had any courage when these people were before us, nobody, not Mr Klopp, not Mr Johnson, not

Ms Haeck, not Ms Mathysen, not Mr Winninger, not a single one.

Mr Klopp: Point of order, Mr Chair.

The Acting Chair: Mr Klopp on a point of order?

Mr Klopp: I appreciate comments made by other people and whatever, but don't put my name into something that I haven't said. If I said something like that, then fine; point it out to me. But don't name me when I have not done that, sir. I'm sure you must have slipped there, but please, I want that on the record. I'm sure Mr Mancini wants to paraphrase that fact.

Mr Mancini: If Mr Klopp wasn't here when these people made their presentations, then he's duly excluded. If he was here when they made their presentations, he's duly included.

The Acting Chair: Are you satisfied, Mr Klopp?

Mr Klopp: That's as close as you're going to get from the honourable member, I'm sure.

The Chair: Thank you. Please continue.

Mr Mancini: I was at all the hearings and I know that for obvious reasons and for legitimate reasons there were substitutions. If Mr Klopp was here during some of these presentations—and maybe he was; I thought he was—then he's included. If he wasn't here when any of those people came, he's not included. It's that simple.

But I want to get back to what the United Senior Citizens of Ontario had to say. The first thing they told us was that they were an organization representing 1,000 senior citizens' clubs. Not one, not two, not 50, not 100, not 500; 1,000 senior citizens' clubs were represented by this organization that appeared before this committee. They estimated their membership at over 300,000 retired persons. I really remember Mr Winninger being here for that one. I remember that as clear as day. So that there's no misunderstanding, this is what they said to us, "The mandate of the organization is to better the quality of life for senior citizens of Ontario." That's what they said; that's their mandate.

They weren't here to ask the committee to do anything; they weren't here to ask the committee to spend more money; they weren't here to ask you to create new programs. They know you've spent all the money. They weren't here to do any of that. They were here because of Bill 164, your great piece of work, this wonderful piece of work that you've spent the last two years on. They came here for this reason.

They took some time and they told us about what things were like at the present time. They said, "Before getting into Bill 164 itself, we thought we should give this committee some background on the reaction of our members to the last changes in automobile insurance," OMPP, the regime that you guys don't like, that you want to change. The senior citizens told us: "Quite frankly, the reaction has been minimal. This supports our view," they went on to say, "that the current system," the one that we live under now, the one that you're determined to change, only for political reasons, as Mel Swart said, not as I said or Monte Kwinter said or as David Tilson said or as Charles Harnick said, but as Mel Swart said; you only

want to change it for political reasons. The seniors said they kind of liked the system that they're living under now and that they've had, "very few complaints."

Then they went on to say a number of other important things that we have to address before we can pass Bill 164. You can pass Bill 164 on your own, but we're not going to help you pass 164 until we properly address the concerns as expressed and written and delivered by the United Senior Citizens of Ontario, who represent 1,000 senior citizens' groups. Very quickly, they broke their concerns down into seven areas: indexation, retirement at 65, compensation for people close to 65, care givers, cost, the future and possible solutions.

Because time is precious, I want to go immediately to point 3, compensation for people close to 65. I'm reminding you of this because it was a major concern of this organization. They said: "Keeping in mind our objections to the arbitrary use of age 65, we would point out that there is an apparent contradiction in Bill 164, that being that people who are injured when they are one day less than 65 and working will receive substantially less benefits than those who are one day more than 65 and working."

"For example, if a person is injured one day before they turn 65, the bill assumes that they will retire at 65, and they therefore will be entitled to \$185 per week. If the same person was injured two days later, when they were one day older than 65, if they were still working, they would be entitled to full benefits which would then be scaled down over four years."

This is what they had to say about cost: "When looking at cost projections presented to us by various organizations including the government of Ontario—that's you guys over there, you men and women—"and the Insurance Bureau of Canada, it has become apparent that largely due to Bill 164 our members will see automobile rates increase between 4% and 20% next year. Regardless of who is right or what the final outcome will be, rate increases of"—listen to this now—"4% are totally out of the question."

1530

In their view, the United Senior Citizens say, "Let's not talk about the possibility of 45%; let's talk about 4%." They say, "That is out of the question."

"If in fact we have rate increases as high as 20%, we are sure we will go from situations where we receive very few complaints about automobile insurance to a point where this is the number one complaint from all our members."

That doesn't even take into consideration the elimination of the rate classification system to its fullest potential of driving rates straight up.

They went on to say, "Many times we hear from governments that an independent senior is a benefit to our society." All of you have said that once or twice during your political careers. "Any form of increased costs to people on fixed incomes will force some of these people to change from being independent to being dependent."

Not only will you steal from them the few pleasures of life—

Mr Winninger: "Steal" is an awfully strong word.

Mr Mancini: Yes, so is "liar." Somebody I know used that word once.

Mr Winninger: You wouldn't use it here.

Mr Mancini: I would not use it, no. I wouldn't even use it outside of here. But there are others I know who have used it.

The Chair: Mr Mancini, I'm listening. Through the Chair, please.

Mr Mancini: I just got chastised for going through the Chair just a minute ago.

The Chair: Mr Winninger does not have his mike on, so I don't recognize him.

Mr Mancini: It's not that I don't like Mr Winninger; it's just that he's not addressing the concerns that have been raised by the people who have come before our committee.

So through your generous Bill 164, which you've embraced and hugged throughout these entire hearings, not only will you be stealing from the senior citizens many of their small pleasures in life, and I mean small pleasures in life, but you'll also be taking from them—not according to me. Don't believe me, but believe the United Senior Citizens of Ontario. Believe them. You'll be taking from them, you'll be stealing from them, their opportunity to lead independent lives.

There's another point that they made that absolutely no one has touched on in this committee, and I mean no one. That's one of the main reasons I want to raise this point now. The seniors went on to tell us during their presentation: "Many organizations"—Mr Chair, I know you have a long history in volunteer work and I know this is going to be a particularly important point for you—"now rely on the high number of volunteers who are seniors to see that individuals they serve get the service they need at a reasonable cost. Most of these volunteers rely on their automobiles to function."

You know, seniors are volunteers. They make contributions through volunteer service in their communities to improve the life of their communities, to make them a better place to live, things that we want to happen. They need their automobiles to do that.

They go on to say, "We have heard in the past"—they haven't speculated. They haven't said, "We thought of" or anything like that, but that they have heard "from such people as Meals on Wheels"—now, I've got to say that everybody in this room would think that's a pretty important program. I don't think there's anyone in this room who would in any way either purposely or inadvertently want to affect the Meals on Wheels program. The seniors tell us, "We have heard...from such people as Meals on Wheels that automobile rate increases in excess of inflation"—which is under 2%—"will substantially reduce the number of volunteers they have."

Some of you didn't like my scenario about the single mother and not being able to give her children a few joys in life—you know, dancing or skating or a simple pleasure like that. We've heard what might happen to seniors if their furnaces blow up, don't work, if their roof leaks. We've heard what could happen to them. You didn't like any of my scenarios. That led to numerous interjections

and to somebody saying I was pathetic. Well, I'm happy to be pathetic if "pathetic" means that I have to remind you guys and women what \$400 a year means to people who don't have an extra \$400. It means that the very things in life we take for granted, like a little extra on somebody's birthday or at Christmas, are being taken from someone else who doesn't have the \$400. If that's being pathetic, I'm happy to be pathetic.

If being pathetic means I have to remind the committee members that seniors volunteer to do good works in the communities in which they live and that they need their automobiles to do those good works and that if their rates go through the roof they won't be able to do those good works and good programs like Meals on Wheels suffer, then I'm happy to be pathetic.

Seniors talked about the future in their brief to us. They said:

"When Bill 164 was put together with The Road Ahead: Ontario's Strategy for Automobile Insurance Reform, we found ourselves extremely concerned about the direction that's being taken with automobile insurance.

"In the past"—and I've said this to the committee before—"by other governments"—meaning the government I was a part of—"we have been faced with plans calling for uniform classification, fair rating system and the unfair use of age as a rating criteria. We note"—they say to you, I say to the government members—"with disappointment that this government is once again going in this direction."

The seniors went on to say, "In the past, when the net result of these changes have been determined, our members would have been faced with rate increases as high as 45%."

I want to know from anybody in this room, and I'm sure Mr Tilson would like to know from anybody in this room, what has changed from 1987 to 1993, what has changed in those intervening years. What is so different that would make the results of the elimination of age in the rate classification system have a different effect, other than the 45%?

Mr Owens: Is that a question?

Mr Mancini: I'm getting a little annoyed at the parliamentary assistant's constant interjections.

Mr Owens: On a point of order, Chair: Mr Mancini was asking a question as to what has changed between 1979 and 1993. I'm prepared, as the parliamentary assistant, to provide an answer.

Mr Mancini: Mr Chair, that's not a point of order. Mr Chair, I'm speaking through you. That is not a point of order.

The Chair: It sounded like it was a question coming up.

Mr Mancini: Mr Chair, give me a break.

The Chair: No, it sounded like a question coming—

Mr Mancini: I have been asking a whole series of questions, and when I finish I would expect that the parliamentary assistant, who deems himself worthy enough to be a minister without portfolio, will have to in some way—he doesn't have to answer me. I want him to answer all these people. When I've given up the floor, he will have

his opportunity. We all ask questions during our presentations. I've had it with his constant interjections.

The Chair: No, it sounded like a question was coming.

Mr Mancini: I plead with you, Mr Chair, to call the parliamentary assistant to order, because he has continuously interrupted my presentation this afternoon. I've tried to make my address entirely through you and through Mr Winninger and he criticized me for it.

The Chair: Okay, Mr Mancini, carry on, please. You have the floor.

Interjections.

Mr Mancini: And happily repeated by the parliamentary assistant.

The Chair: Their mikes aren't on. Just carry on, Mr Mancini.

Mr Mancini: Call them to order.

The Chair: Pardon?

Mr Mancini: Call them to order. You're in charge here.

The Chair: I have called them to order when they've been whispering over there too.

1540

Mr Mancini: I've already told you, Mr Winninger, if being pathetic means all of these things that I've said—

The Chair: Mr Mancini, my name isn't Mr Winninger.

Mr Mancini: I know that.

The Chair: So talk through the Chair and get on with—

Mr Mancini: You're Mr Hansen.

The Chair: Yes—with section 2 of the bill.

Mr Mancini: I want to know from all these colleagues I have in the Legislature what is different and what has transpired in the intervening years that would make the seniors believe that what you want to do, which is exactly the same as what we tried to do—why your results are going to be any different.

Mr Klopp: Give us the floor; we'll tell you.

Mr Mancini: We can't talk about the regs.

Interjection.

Mr Tilson: You'd probably shut them down.

Mr Mancini: So that's what the seniors have said. Maybe what we should do, if the world were perfect and we had lots of time and if the committee members, if the government had the courage—hi, Sal. I would love it for any one of you, Mr Chair, through you, of course, for any one of the government members, especially the parliamentary assistant, to invite the United Senior Citizens of Ontario to return before our committee and I would love it for the parliamentary assistant to take the seniors through this one step at a time so that, through you, Mr Chair, Mr Owens could put his job on the line and say that, "Not only will I never strive to be a minister without portfolio; I'll give up my parliamentary assistantship if your rates go up because of this change in the rate classification system." Boy, that would take some courage. That would be interesting. We'll see what courage is in the room when the parliamentary assistant gets the floor.

The seniors go on to say—we tried to get in the other room, Sal; we couldn't—"We see no reason why if we go down the same road," meaning the road we tried only a few short years ago, "we won't be ending up in the same place." The senior citizens quote a very distinguished source, a source probably at the same level, through you, Mr Chair, as Mr Winninger, and maybe the parliamentary assistant. The seniors quoted Albert Einstein and they said, "As Albert Einstein said"—

Interjection.

Mr Daigeler: He should know.

Mr Winninger: $E=mc^2$.

Mr Mancini: And I quote, "Those who repeat the same experiment expecting different results are doomed to failure." So the seniors are relying on Albert Einstein. Whom are you men and women relying on?

Mr Tilson: Daffy Duck.

Mr Owens: The Supreme Court of Canada.

Mr Mancini: "The Supreme Court of Canada," the parliamentary assistant interjects.

Interjections.

Mr Mancini: Through you, Mr Chair; through you, only through you. The seniors go on, and I'm quoting: "To reiterate, it's our strong belief that Bill 164 and The Road Ahead will result in rate increases of 45%, or even higher, to our members. Once again, we are strongly stating our objections to this bill and are very concerned that these objections," and I'm quoting, these are not my words, I'm quoting, "will fall on deaf ears."

The Chair: Mr Mancini, I remember being there. You have the notes there, but the 45%, was it the lawyer who presented that?

Mr Mancini: No, it was the seniors.

The Chair: Okay. I know the lawyer was standing there; where they got their statistics, I was just wondering if you—

Mr Mancini: No, it was not the lawyer, it was the seniors.

The seniors concluded as follows, through you, to the government members, Mr Chair, "Since we can find no benefits in Bill 164 for seniors"—and that's what I said all along, that's what I said from the very beginning, that this legislation which you have embraced and hugged all the way through these hearings and are going to pass in the not-too-distant future, provides no benefits for seniors. They didn't ask for it, they're not receiving anything in return when it's passed and all they'll get is a huge whopping great increase.

The seniors say: "Since we can find no benefits in Bill 164 for seniors in the province of Ontario and its implementation is going to result in substantial rate increases for our members, we have no choice but to strongly state to this committee"—that's to all of you people—"that Bill 164 is a bad deal for the seniors of Ontario."

Those aren't my words. These are the words of the leadership of the United Senior Citizens of Ontario, who represent 1,000 senior citizens' clubs and over 300,000

people. It's not just Sal Valela who got a bad deal; it's going to be all these other people too who have said clearly that this legislation is a bad deal.

There are numerous other presentations that have been made that I could be using to buttress the concerns I've shared with the committee about the elimination of gender and age in the rate classification system. I think the point has been made with these presentations. I think it's been clearly demonstrated by the people who are going to be affected what the effect will be and why they don't like that effect.

I think it's a sad day in this province when we all know we're in the fourth year of the longest and worst recession since the Great Depression, and the only thing this government seems capable of doing is introducing a piece of legislation that nobody's been calling for and that your own former colleague, Mel Swart, called nothing more than a political exercise. The only thing that concerns you and the number one thing on your agenda is to introduce a bill that will drive up the cost of living, of automobile insurance rates, to women who earn less than men and to senior citizens who are on fixed incomes.

If I were to sit down in a dark room for a week and say to myself, "What three things would I want to do if I was part of a new government in order to facilitate change and improve the lifestyle of Ontario's citizens," I can tell you that I don't think I or Mr Hans Daigeler or Mr David Tilson or anyone else on this side, and I hope not even you, Mr Chair, would come up with a scheme that the only way we can improve people's lives is to sock it to senior citizens, with all the ill effects that will cause, and to sock it to women and all the ill effects that will cause. And for what end result, I ask you? Mr Swart told you what the end result was for.

I will conclude my comments at that point for this moment, and thank you, Mr Chair, for listening.

The Chair: I had Mr Owens down for the next one.

Mr Tilson: Mr Chairman—

The Chair: I didn't see your hand up there.

Mr Tilson: Well, it's been up, Mr Chairman, I can assure you.

The Chair: Okay, I'll keep the same rotation. I didn't see your hand though, Mr Tilson. I'll put you down on the list. I'm going to go to Mr Owens and then go to you, Mr Tilson.

Mr Tilson: My hand was up a long, long time ago. Do I have to get you to sign a piece of paper?

The Chair: No. Go ahead, Mr Tilson.

1550

Mr Tilson: I'd like to make a couple of preliminary comments before I speak to section 2 and ask some questions with respect to section 2. We are now in the process of dealing with section 2. We, of course, have to go through 54 sections in this bill as well as a number of amendments that our party and the government wish to put forward.

There's no question in my mind that the members of this committee wish more time, and we have been shut

down on the subject of the regulations, which is a major part of the philosophy of this topic of auto insurance.

Certainly, now that we've heard the delegations, we have heard some of the submissions from the parliamentary assistant. Mr Mancini's requested and I'm going to request as well that we be given an opportunity to hear from the Mercer people and Mr Tully and some of his staff on a whole slew of questions, and we're simply going to need more time. We really have one more day to do all of these things and I would hope, Mr Chairman, and I know all members of the committee will agree, knowing that it's going to be physically impossible to adequately respond to all of the remaining issues, that we're going to need more time.

I understand there was some sort of vague arrangement with the House leaders, when the House adjourned at Christmastime, to set aside so many weeks for this topic. But it would seem to me it's become quite apparent that we're going to need more time to deal with the many issues.

I would ask that you take under advisement going to the House leader who, ironically, of course, is the minister responsible for auto insurance. I have a lot of trouble with that issue, which is my secondary issue. I have a great deal of trouble with the issue of the House leader who is responsible for Bill 164.

I get the impression that the government is trying to ram this through so Mr Charlton can get rid of this thing. He doesn't want to deal with all of these problems that are going to surface after this bill has passed. He wants to get it on to the next guy; he wants to get out of here. I don't even know who's going to be responsible for dealing with the myriad of complexities that are going to develop after this bill is passed. Mr Charlton doesn't care. He's gone. He's not going to be responsible.

We've asked a whole slew of questions. The parliamentary assistant has said yes, he's concerned with the issue of advocacy; he's concerned with the issue of costs; he's concerned with a whole slew of things. We need more time and we need more explanations.

That's the first preliminary that I would like you to comment on before I get into my comments with respect to section 2.

The Chair: Maybe a little better explanation. Mr Owens.

Mr Owens: Thank you, Chair. I truly appreciate the question from the member for Dufferin-Peel.

In terms of the progress that we've made to date on this bill, I can characterize it as nothing short of discouraging. We have spent approximately nine and a half hours on section 1 which, along with the 9 or 10 other sections to follow, is simply clarifications and definitions.

As you are well aware, your party has made some amendments, and as I said to you earlier, section 7 is one that we deem as being an amendment we'd like to work with you on.

In terms of requesting more time, I think our time has been set out for us as an agreement with the three House leaders. As hard as it is for some individuals to understand, when one makes an agreement, one keeps an agreement and we want to continue on with that process.

In terms of your comments with respect to the conflict that you feel exists between the minister as the person responsible for auto insurance and his second role as House leader, I can assure you that there is no conflict. As I described to you on the day of the shuffle and on at least two other occasions—and perhaps you weren't listening, for whatever reason—Brian Charlton, while he is the House leader, will still continue to have responsibilities for the auto insurance review. I appreciate the fact that you've referenced our concerns with respect to cost, advocacy and other issues that we want to proceed on.

I made a comment at the beginning of the afternoon proceedings that it would be nice if we could get through some of what, in our view, are merely technical issues in terms of definitions and clarifications so that we could move on to what your party and I'm sure the official opposition view as issues of substance.

In terms of the request for more time, as I indicated at the beginning of my response, I think we are going to respect the agreement that was reached between the three House leaders, and we'll see where we're at on Thursday afternoon.

Mr Tilson: I wish you well. I simply say that hopefully common sense tells me that with the amendments proposed and the fact that there are some 52 more sections to go through, and it is now 4 of the clock, as they say in this place, it's most unlikely that your wish is going to be achieved.

I think there's a great deal of work that this committee can do. There are issues that can be raised. There are a lot of unanswered questions notwithstanding, and you and I may differ on that. I think you'll agree with me on some of the things.

Mr Owens: I absolutely do. This is why I made the statement again at the beginning of the afternoon that if we could proceed through these technical changes, we in fact could get down to discussing some of those issues of substance.

Mr Tilson: I can understand you, as a member of the government, trying to make this thing move, but the difficulty, which is why we spent so long, is that members of the opposition are concerned with the overall philosophy of where Bill 164 is taking us. We're not being picky when we pick at little specific definition sections, because all of these deal with the overall philosophy as to where the legislation is going by way of regulation, which by your own admission may not even be the regulations that we will ultimately end up with.

Mr Owens: No, I didn't say that.

Mr Tilson: But we must study these things. The committee has an obligation to review these things.

Mr Owens: But the regulation is not under consideration at this point.

Mr Tilson: Mr Owens, that's why the opposition is terribly frustrated, because the bill won't work without these regulations. The government spent a great deal of time sending these draft regulations to all kinds of interest groups that have spent vast amounts of money to study them—

Mr Owens: So you're admitting that we consulted with people?

Mr Tilson: —and determine what the cost is going to be to their company, to the innocent accident victim, to the government and to everyone else, and many of them don't even understand the regulations. I think it is unfair to suggest that it was improper for us to get into that.

I, as a member of this Legislature, have an obligation to try and understand as much as I can about this place, which I am beginning to realize more and more is next to impossible.

Mr Owens: I was just going to say, "How are you doing so far?"

Mr Tilson: But I happen to be sitting on a committee dealing with auto insurance and I happen to want to try to understand the regulations, draft regulations or proposed regulations, which must be put forward for this bill to work.

Therefore, I say that members of the opposition have every right to study these things as they will affect the bill. There's no question in my mind that as we go through this, this terrible word "regulation" is going to be referred to, because it's intermingled with the sections in the bill. We're going to need more time. There's no doubt in anybody's mind. For this committee to adequately do its work, we're going to need more time.

The House leaders have reached an agreement. The House leaders can change that. They have the ability to change that. With your recommendation as Chairman of this committee, you can go back to your House leader, who happens to be the minister responsible for this terrible piece of legislation, and say, "We need more time than the amount that's been set aside to go through clause-by-clause." I think it is your obligation and duty as Chairman of this committee to do that.

1600

The Chair: Mr Tilson, with this particular committee, the standing committee on finance and economic affairs, next week at 2 o'clock in room 151 we have the Treasurer and his staff coming. We have the hearings for the budget.

Mr Mancini: Which room is that, Mr Chair?

The Chair: Room 151.

Mr Mancini: Is that the TV room?

The Chair: Yes. Mr Mancini has allowed us his time in there, so I have to thank Mr Mancini. The point is that we are tied up, this particular committee. We don't have any time in our time frame here of the sitting. This is why the House leaders had put this time in. But there's one thing—

Mr Mancini: So there's no time to worry about these people.

The Chair: Mr Mancini, I have the floor. No, I'm not saying that, Mr Mancini. I don't worry about these people. But the staff who have drafted these regulations, if you want to talk to them outside the committee hours, that's no problem at all.

Mr Mancini: That's a big help.

The Chair: The other thing is that on Bill 75, which went through this committee just before Christmas, I believe there were 42—

Mr Owens: Are we discussing section 2?

The Chair: No—42 amendments which we did in one day clause by clause. So there is the time frame that we've got of tomorrow and an hour today. I don't see a problem that we can't have this bill pass before we break tomorrow at 5 o'clock.

Mr Mancini: A Chair pro tem.

Mr Tilson: Mr Chairman, if I can say, you don't have the time to reach all these things. We are now on section 2. Now you say, "Oh, well, we're—

Interjections.

Mr Tilson: Mr Harnick is commenting as to the speculation that's going around this place as to when the House is going to—

Mr Mancini: June 1, Mr Tilson.

Mr Tilson: Who knows when it's going to be? My guess is, it certainly won't be in the month of March, and there's a reasonably good chance it won't be in the month of April, or at least until halfway through April. I'm speculating as well as anyone else in this place is, but I'll bet you. Even if we're not, what is to say that we can't sit when the House is sitting? Doesn't this committee sit when the House is sitting? Is that an unusual thing?

The Chair: Yes, but I think we've got other items on our plate there, Mr Tilson.

Mr Tilson: This is most important. Then you set the other thing aside and you put this down.

The Chair: The other thing is too, you know, at the rate we're going it'll take us 486 hours to complete this bill if it's like—

Mr Mancini: If it's a good bill at the end of it—

The Chair: —section 1, and I would say that's a little outside the time frame of this particular committee.

Mr Tilson: Mr Chairman, we've got a lot of questions that need to be asked and a lot of answers that need to be given.

The Chair: This is why I have tried to keep some of the members focused on section 1 or section 2. I didn't want to get into Christmas presents and leaky roofs.

Interjections.

The Chair: Mr Tilson, can we continue on?

Mr Mancini: Mr Chairman, on a point of order.

The Chair: Yes, Mr Mancini.

Mr Mancini: Were you making light of the economic examples?

The Chair: Well, I—

Mr Mancini: Just let me finish, Mr Chair. Were you making light of the perfectly reasonable economic challenges that many people in our society face on a day-to-day basis and the consequences and repercussions of those challenges and the effects that Bill 164 might have on those individual families? Was that what you were making fun of?

The Chair: Mr Mancini, what I had talked to you—

Mr Mancini: Were you making fun of that?

The Chair: I was not making fun of it. When you were wound up—

Mr Mancini: Why did you throw it out in such a flippant fashion?

The Chair: Mr Mancini, let me respond.

Mr Mancini: Yes, please do so.

The Chair: I let you talk.

Mr Mancini: Please do so.

The Chair: The thing is that at that particular time I said that there was a little bit of colour, and if we can get back to the subject at hand and take—

Mr Mancini: I'm talking about your last comment.

Mr Owens: Point of order, Mr Chair.

The Chair: I was talking about that because—

Mr Mancini: Why did you throw it out in such a flippant manner?

The Chair: Mr Mancini, you're very touchy today.

Mr Owens: Point of order.

Mr Mancini: No, I'm not touchy.

The Chair: I'm sorry.

Mr Mancini: If somebody can't afford to fix their roof, I don't think it's touchy at all. If seniors can't afford to give their grandchildren—

The Chair: You're taking it in a different light.

Mr Mancini: —10 bucks when it's one of their birthdays, I think that's a pretty sad situation. I don't think that's anything that you should make light of ever.

The Chair: Are you finished?

Mr Mancini: I would hope that you would clarify how and why you made that—

The Chair: I was trying to get down to the point of not making it as colourful as you did so we would have time to finish this bill.

Mr Mancini: Not making it as colourful as I did. I see.

The Chair: Yes. Mr Owens, point of order.

Mr Owens: Forget it. Let's move back to section 2.

The Chair: Mr Tilson.

Mr Tilson: Yes, Mr Chairman. I'm not finished and I will only put on the record that I think this committee has a great deal more work to do on this bill and I think there's an opportunity for you at the very least, as Chairman of this committee, in your capacity as Chairman of this committee, to go to the minister, also known as government House leader, and say that this committee needs more time. Notwithstanding any agreement that's been made by the three House leaders, if indeed one has been made, we need more time. We clearly need more time to deal with all of these matters.

I suppose you can rule me out of order. You can do whatever you like, but I've put it on the record—

The Chair: No, I'm not going to rule you out of order, but you have your House leaders here. Mr Owens

can go to the House leader and show some direction to this committee.

Mr Tilson: Mr Chairman, I don't want the parliamentary assistant—he interferes enough in this committee.

Mr Mancini: It's all a big joke to him anyway.

Mr Tilson: I'm simply saying you, as the Chairman of this committee—you do have some authority, believe it or not—can go to the House leader and say in your observation as Chair that this committee needs more time. We're on section 2—

The Chair: I—

Mr Tilson: You're not prepared to do that?

The Chair: No, I'm not at this time. Let's carry on.

Mr Tilson: I move, Mr Chairman, that you be directed to do so by this committee.

Mr Mancini: Good motion.

Clerk pro tem: It's a motion?

Mr Mancini: It's a motion.

Clerk pro tem: Put it to the vote.

Interjection.

The Chair: Recorded vote? Okay. All those in favour of the motion? Do you want to read out the motion so we've got it recorded again? What's the motion?

Mr Mancini: Mr Tilson moves that the Chair ask the House leaders for more time so that we can complete our work.

The Chair: Okay. We've got a motion on the floor.

Mr Owens: Am I not entitled to speak to it?

The Chair: Discussion?

Clerk pro tem: Yes, he can speak on it.

Mr Owens: I was going to, respectfully of course as always, ask Mr Tilson to withdraw his motion and again, respectfully as always, ask the Chair to go forward to the House leader and make that request. We will certainly abide by the wishes of the House leader.

Mr Tilson: Mr Owens, I couldn't agree with you more, but the Chair has made it quite clear to me that he's not prepared to do that, so since he's not prepared to do that I'm going to insist this committee direct him to do that.

Mr Owens: I've made a request to you, Mr Tilson—

Mr Mancini: Mr Tilson has made a motion and I move the motion be now put.

The Chair: Okay.

Mr Mancini: I move a recorded vote.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): Point of order, Mr Chair.

The Chair: Yes, Mr Johnson.

Mr Johnson: A 20-minute recess.

The Chair: Okay. A 20-minute recess.

Mr Mancini: A waste of time for 20 minutes.

The committee recessed at 1607 and resumed at 1625.

The Chair: Okay, I know we're about two minutes early here, but I see all members present. The clerk will read out the motion, please.

Clerk pro tem: Mr Tilson moves that the Chair be directed to request of the House leader to extend the committee's hearings on Bill 164.

The Chair: A recorded vote on this one, Mr Tilson?

Mr Mancini: Yes, a recorded vote.

The Chair: Okay. All those in favour of the motion?

Ayes

Daigeler, Harnick, Kwinter, Mancini, Tilson.

The Chair: All those opposed?

Nays

Haack, Johnson, Klopp, Mathysen, Owens, Winninger.

The Chair: The motion is defeated. Mr Tilson, you have the floor.

Mr Tilson: I spoke to one of Mr Owens's staff. I assume that the French printing problem on section 2 will be duly solved.

Mr Owens: What problem are you referring to?

Mr Tilson: I don't have a problem. I just assume that the words "risk classification" are over in the French section and the French interpretation of that is in the English section. It's not important, but it's something that—

Interjection: Is that under definitions?

Mr Tilson: It's under subsection 2(3).

Clerk pro tem: Which bill are you looking at, Mr Tilson?

Mr Tilson: Am I looking at the wrong bill?

Clerk pro tem: You could be. The new one, from my understanding, has been corrected.

Mr Tilson: Okay, that's fine. If it's corrected, that's fine. I have no problem as long as it's been corrected. That's okay.

The Chair: It's been corrected? Okay.

Mr Tilson: I have a number of questions that I'd like to put to Mr Owens in his capacity as parliamentary assistant to this project. I look at subsection 2(3) specifically. It says, "'risk classification system,' in relation to automobile insurance, means the elements used." What are the elements used?

Mr Owens: Currently, as you're aware, among other things the amount of kilometres driven, the types of car that one drives, issues with respect to age, marital status, the sex of the proposed insured and any number of issues that make up the rate system a company may choose to offer.

Mr Tilson: All right. The general intent of this definition is that you will be establishing a fairer classification system?

Mr Owens: What we're doing with section 2, Mr Tilson, is again providing some clarity to a system that already exists. Currently, under OMPP there is a regulation that allows for items not to be used and also allows for

items that can be used. If I can quote under the current act, section 35—

Interjection: Section 121.

Mr Owens: Section 121. Sorry.

Interjection: Paragraph 35.

Mr Owens: Paragraph 35: "prescribing classes of risk exposure to be used by insurers in determining the rates for each coverage and category of automobile insurance." Paragraph 36 talks about "prescribing classes of risk exposure which insurers are prohibited from using in determining the rates for each coverage and category of automobile insurance."

What we're doing with this section, as I say, is adding clarity. At some point, when I'm able to make some comments, we'll also be discussing how the Supreme Court of Canada has nodded in the direction that insurance companies should be removing those discriminatory items such as marital status and age and sex from their classification systems.

Mr Tilson: Wouldn't it be more appropriate to wait and see what the courts do than to indicate that you will be, through regulations—and I'm going to use that word; I don't care what we say, we need to talk about it—introducing regulations that will eliminate the rate classification based on gender and age?

Mr Owens: Sorry; I missed that last comment.

Mr Tilson: My question is, wouldn't it be more appropriate for the government to wait and see what any judicial decisions come up with before you indicate that you'll be passing regulations or laws that will essentially eliminate the rate classification based on gender and age?

Mr Owens: In terms of its application to section 2, which has the clause under discussion at this point, again, the language that is set out is meant for the purposes of clarity and to codify what is already in practice within the industry.

Mr Tilson: But we've been told that the intention of the philosophy of this legislation, of which this particular section is a definition, is that you will be eliminating the rate classification based on age and gender.

Mr Owens: We are looking at complying with a Supreme Court of Canada decision, *Zurich v Bates*, that if the member would allow me to read the decision written by Justice Sopinka, I think it may enlighten both he and Mr Mancini—it's unfortunate that he's not here at this point—but in terms of the reasoning with respect to that decision.

Mr Harnick: What decision is that?

Mr Owens: Since it's not—

Mr Harnick: What's the name of the case?

Mr Owens: —particularly germane to—

Interjection: *Zurich v Bates*.

Mr Owens: —section 2, the item under discussion, perhaps if Mr Tilson is prepared to yield the floor, then I can respond.

Mr Tilson: No, I'm not prepared to yield the floor. You're answering a question that I've put to you, Mr Owens.

The Chair: Mr Owens, just answer Mr Tilson.

Mr Owens: I believe I did.

The Chair: I thought you were going to read it out.

Mr Owens: Would Mr Tilson like me to read this? I'd certainly be prepared to do that.

Mr Tilson: Yes. I think it would be useful if you're telling us the reason for this. This is the first that this committee has heard of this decision, and I haven't read the decision. I don't know who else has, and that's fine. I don't mind admitting that I don't know things.

I will say that we have been led to believe by you and by your minister and by members of your party that the rationale behind eliminating the rate classification system for gender and age is to make it fairer. Now you're telling us that there is a Supreme Court of Canada decision that is essentially ordering the province of Ontario to do that. If that's the case, then I think it's important that this committee hear all about this case.

Mr Owens: What I did say is that the Supreme Court of Canada decision, which was published in all three major Toronto dailies—

Mr Tilson: Well, I don't read all the three Toronto major dailies. I read the papers from my riding, and if you can stop making snide remarks and inform this committee of the rationale as to why you're putting this change forward, please do so.

Mr Owens: My answer to you, sir, was to only indicate that this is a fully public decision and it's not the government that is hiding any cards up its sleeve.

The Chair: Mr Tilson, could I maybe get the clerk to make a copy so each member of the committee would have a copy of this—

Mr Tilson: Yes, thank you.

The Chair: —so you can read it over. Maybe you'll let Mr Owens read it now and then you'll have a copy.

Mr Owens: Let me just go through this.

Mr Winninger: Do you want it in French and English?

Mr Owens: "The insurance industry"—this is written by Justice Sopinka, and I'd certainly be prepared to have the clerk copy it. These are not my words; these are not the words of the minister.

"The insurance industry must be allowed time to determine whether it can restructure its classification system in a manner that will eliminate discrimination based on enumerated group characteristics and still reflect the disparate risks of different classes of drivers....

"It would therefore be inappropriate for this court to find a particular practice to be unreasonable when no reasonable alternative exists. While the situation as it existed in 1983 did not provide a reasonable alternative to setting premiums based on age, sex and marital status, the situation today and in the future may be quite different. The insurance industry must strive to avoid setting premiums based on enumerated grounds."

That indicates, in the view of myself and the minister and those folks who staff our legal branch, that the context of this Supreme Court decision is that at the time there

were no reasonable grounds to rule directly against these particular grounds. However, in terms of looking at this issue prospectively, we are in fact providing what would be called a legislative enabling environment to address the issues the Supreme Court has raised through its decision.

It's the view of the government that a person's insurance premium should be based on issues of relevance, like driving record. That may be a new concept to the opposition, but in terms of some of the comments that were heard earlier, it's a reasonable concept that there is no relationship between whether a person happens to be married or not married as to how his or her driving is going to be conducted. I would suggest that looking at a person's conviction rate, in terms of whether it's moving violations, whether or not he or she has been charged and convicted of impaired driving, these are the kinds of issues that need to be looked at.

If we get past section 2 today, we will certainly find that there are going to be abilities for insurance companies to maintain their competitive advantages over each other as they deem possible.

So this is where we are sitting with respect to that decision, and again, in terms of the reasoning behind subsections 2(1), (2) and (3), these provide clarification for existing practices within the industry.

Mr Tilson: Thank you, Mr Chairman, through you to Mr Owens. I thank you for the summary of that decision and I look forward to reading it, because I must say that it was my understanding that the courts have upheld the current plan because it is based on a sound actuarial and statistical basis. In other words, on the issue of young male drivers, statistics show that they have a tendency to get involved in more accidents than young female drivers. It has nothing to do with civil rights or the Constitution or anything like that. There's no discrimination; it's based on statistics, on driver records.

I'm open to hear more thoughts from the government as to where it's going to be going with the philosophy of its new rate classification system, because you're going to have a lot of explanation to do. Mr Mancini has spent a great deal of time and I intend to spend some time as well reiterating the concerns of the people of this province, particularly seniors, whose rates are going to skyrocket because of your proposed legislation.

If you're saying that the Zurich and Bates decision directs the province of Ontario to change the current class plan, then I'd like to look at that, and I hope all members of the committee will, and I hope you're not generalizing and reading this specific section from a report that is not dealing with this specific issue.

Mr Owens: In fact I am not and we are certainly not—reading a decision written by Justice Sopinka, who clearly does not have an interest in these proceedings.

Mr Tilson: I look forward to reading it.

1640

Mr Owens: We quoted that and we will certainly provide you with a copy.

In terms of some of your other remarks, while you're directing your comments with respect to alleged rate

increases around the uniform class system, I certainly hope you'll reflect on section 38, which provides for a rate dislocation management plan through the process. I was hoping we would actually get to section 38 so that we could more fully describe that for you.

Mr Tilson: I hope we do too. I think we'll need to talk about section 38 and a whole group of sections. We've really just got into this topic and we need to spend a great deal more time on it.

Mr Owens: I'd be very pleased to answer any—

Mr Tilson: I'm encouraged by your saying that you intend to spend some more time on that subject before this committee reports back to the House. I will be making some more comments, but I would hope that we would all be in a position to read the Zurich and Bates case before we vote on this particular section, because I think we'd be remiss to vote on it having now had this piece of information brought to us.

I find it most unusual that the parliamentary assistant would now tell us about this decision. He can make all the remarks he wants that it has been reported in the press. I don't deny that. I'm not even from Toronto; I'm from a riding to the northwest of Toronto, and I don't always read the Toronto media. You try to get as informed as you can, and if you're telling me that's the way it is, that's the way it is.

I do say, though, that it is unusual that you didn't bring that topic, those facts that you have now brought to us—

Mr Owens: That's—

Mr Tilson: —if I could just finish—a long time ago, particularly when delegation after delegation expressed the concerns about the changing of the rate classification system based on gender and age. I don't understand why you've waited until now to do that.

Mr Owens: I think, in terms of your duties in your critic area, that you haven't taken the opportunity to fully inform yourself of decisions such as *Bates v Zurich Insurance Co*, because it is an important case and your colleague Mr Harnick, I'm sure, has some thoughts on the case. I'm surprised that he hasn't shared those details with you.

This is not a surprise. These are issues that we have raised with respect to fairness in the system, and we simply are relying on a decision that we view as being a directive from the Supreme Court of Canada. If you want to suggest that we ignore the Supreme Court of Canada and continue on down the road of discrimination, then perhaps you'd like to move some kind of an amendment, and we will take a look at it.

Mr Tilson: I'm simply saying to Mr Owens, Mr Chairman, through you, as I indicated, that the current class plan has been based over the years on an actuarial and statistical basis, which is the very suggestion that Mr Owens is going to be talking about as to what regulation this government may be passing dealing with one's driving record. That may be a sound recommendation, that your rates are based on your record. I have no problem exploring that and I would hope this committee would spend some time, because you've got an awful lot of people around this province, particularly seniors, very worried about where you're going in this direction. I just take as a—

Mr Owens: I would agree that a senior with a good driving record should not have to pay higher premiums simply because a senior with a bad driving record happens to be within the same age category. I think if you put two seniors in a room, or a group of seniors—if we asked the seniors who presented whether or not they should subsidize drivers with bad driving records, I think their answer would certainly be in the negative.

The Chair: Mr Daigeler has a point of information.

Mr Daigeler: With the permission of Mr Tilson, could something be clarified for me, because I'm not a lawyer. When the parliamentary assistant read the decision of the Supreme Court, it didn't seem to me, not being a lawyer, that the Supreme Court directed anything in this decision. I would just like to hear from legal counsel whether in the ministry's legal opinion the Supreme Court did in fact direct the provinces—

Mr Klopp: Excuse me, Mr Chair. Has this now gone back to the Liberals—

Mr Daigeler: Do I have the floor?

The Chair: Yes, you do. Go ahead.

Mr Daigeler: —whether in fact this is a direction by the Supreme Court to do away with these various classifications.

The Chair: Actually, I thought you were giving us some information. Maybe Mr Tilson would agree to that request.

Mr Mancini: Mr Tilson will ask Mr Daigeler's question, I'm sure.

The Chair: Yes. Mr Tilson.

Mr Tilson: I think Mr Kwinter has a question of clarification.

The Chair: Okay. Mr Kwinter.

Mr Kwinter: It's also by way of information. The parliamentary assistant just commented on the fact that seniors would not be particularly thrilled with the idea of having to pay more money because they were seniors, if in fact they had a good driving record. I just want to reflect on what I had said yesterday in that there has to be a basic understanding of how insurance works. There is a pool of money. If you don't take it from everybody who's in that category that's the highest risk, you have to take it from someone else. So what is happening is that it doesn't change the effect that you want to be fair. You can be as fair as you want with the individual, but you have to also understand that the amount of money you forgo by not charging everybody in that category has to be apportioned to everybody else. I have no problem with the fairness, as long as there's an understanding that it will almost automatically mean everybody else will be paying more money to take care of the shortfall, and you have to understand that.

The Chair: Mr Tilson, you have the floor there. Hans had a question of legal counsel, if you want to put it through you.

Mr Tilson: I have no problem, because I think it's an important issue and, as I say, it's unfair, quite frankly, of

the parliamentary assistant to take the shots that he's making when I haven't even had a chance to read the decision.

The Chair: We're getting a clean copy right now from the library and all members will have a copy.

Mr Daigeler: Could we hear from legal counsel?

Mr Tilson: Mr Daigeler, I have no problem with—

Mr Mancini: It's a great question.

The Chair: Okay, the legal—

Mr Simons: I haven't read the case recently, so it's just my best recollection.

Mr Mancini: Legal counsel hasn't read the case?

Mr Tilson: You'd better be careful. Mr Owens is going to take shots at you too. He'll say legal counsel for this committee hasn't even read this case and he has the gall to make statements that members of this committee haven't read this decision.

The Chair: Okay, Mr Simons.

Mr Simons: The Bates case dates back to the 1980s, and at the time the insurers used classification systems—the Zurich Insurance Co used a classification system that discriminated on the basis of age, sex and marital status and that's what was at issue in the case. I think the companies were challenged by the Human Rights Commission in terms of why they used that type of class plan, and would they look at an alternative that wasn't discriminatory. I think the companies argued that they didn't have the kind of database for information to look at other ways of setting rates that wouldn't discriminate against age, sex and marital status. I think, over the time of the initial Bates case and by the time it got to the Supreme Court of Canada, the company still hadn't really developed anything.

If you look at what the decision says, it says, "Okay, this time, because you couldn't support alternatives, we will allow you to continue using them." But the court strongly suggested the industry strive to avoid setting premiums based on grounds such as age, sex and marital status. In other words, "Get a sufficient database together to establish non-discriminatory class plans."

Mr Tilson: That's quite a different statement than what Mr Owens has stated.

Mr Mancini: The court did not direct.

Mr Tilson: Quite a different statement, and I can assure you that we will be studying this case tomorrow, because Mr Owens has made some very serious allegations. I look forward to seeing whether or not they're accurate.

I'd like to read you a letter which was just simply filed. I don't know whether any of you have read it or not, but I've read it. It's very brief, and I think it expresses the concerns of individuals around this province. It was filed with this committee on February 15, it's from a Mrs Emma Goddard of Ingersoll and it's addressed to Kimble Sutherland, of all people, and the Chair of this committee, Mr Hansen.

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Mr Mancini: Mr Tilson, we know Kimble, don't we?

Mr Tilson: We certainly do. "I am a senior and resident of Oxford county. I am greatly alarmed by proposals

being put forward by your government concerning automobile insurance. Everything I have read, including the government studies, says the cost of insurance is going to rise if these proposals are instituted. The province has spent thousands of dollars over the last three years trying to find a workable solution to the problems facing the insurance industry.

"The current system appears to be dealing with costs and efficiency quite well, but from the moment your government took power in Ontario, you have condemned the OMPP. You haven't looked at it objectively, from my point of view. I feel your government wants to change it just so you can say you did something.

"I have heard that you intend to change the way insurance companies rate their clients; that is, not allowing them to use age, sex or marital status as criteria for rates. I have been paying for insurance for 40-plus years and have maintained a clean driving record. Being as I am retired, I also have a limited income. I emphatically denounce any changes that would require me to pay more for my coverage simply because you don't think a young man should pay so much for his. Take a look at who causes the worst accidents and the most serious accidents: young men. Why shouldn't they have to pay a considerable amount for their insurance? It is a privilege to drive a vehicle and they should be made to realize it by the sacrifice they have to make to pay for it.

"You should do better to spend all this time and taxpayers' moneys on ways to improve driver safety and safer roads. Bill 164 makes absolutely no mention of any road-safety-related programs. I have looked at the different reports concerning this matter and what is predicted for the future. Frankly, I am very disappointed with the NDP government's tunnel vision and unwillingness to consider all the facts. It appears you are only using the ones that suit your purpose. If public opinion has any influence on you, take note. Spend your time and money getting people back to work and improving things, not trying to destroy what is already going smoothly.

"In conclusion, if these changes go through as you have proposed, you can bet I won't be voting for you the next time around, no matter what."

My suspicion is that many members of this committee have received similar letters to this, expressing, particularly from seniors—Mr Mancini has spent a great deal of time and I don't intend to repeat what he has said, because he has been very concise in his statements—but it certainly expresses the concern, particularly of the senior citizens of this province, as to what you're doing.

Mr Mancini: Why isn't Kimble listening? That's what I want to know.

Mr Tilson: I have a couple of other questions for the parliamentary assistant. The risk classification system that you intend to propose, whether in the draft regulations, which don't really exist—

Mr Mancini: You can't talk about that.

Mr Tilson: I guess I can't, and that's why I'm going to ask this question. It would appear that this legislation is going to give you the power to establish a classification

plan for automobile insurance. Isn't that rather unusual for you to do that?

Mr Owens: Through this section we are clarifying language and also codifying the existing practice within the industry. In terms of later amendments, as I indicated to you, it's my hope that we can deal with your amendments and others—

Mr Tilson: I want to know more about the risk classification system, the definition of it. I want to know what it means. I'm entitled to know that. I'm entitled to know what your plans are. It appears the cabinet's going to have the power to establish this system. My question is, isn't that unusual? Are you saying, "Yes, it's unusual," or "No, it's not unusual"? That's really all I'm asking you.

Mr Owens: In terms of cabinet's authority, again, in later amendments that issue will be dealt with. In terms of the clause under discussion at this point, subsections 2(1)(2)(3), again, we're simply moving that language be cleaned up to make it usable and to codify practices that are already in existence in the industry.

Mr Tilson: Mr Chairman, I need your assistance. We have the parliamentary assistant here to answer questions. He obviously doesn't know the answer.

Mr Mancini: He's been fudging all week.

Mr Tilson: He doesn't know the answer. I assume, because he doesn't know that answer, that there is someone in the government, some staff or someone, who would be in a position to answer these questions and other questions, because I've just started asking these questions. If that's the sort of answer that I'm going to get, "Oh, well, we'll talk about it later; it's really not relevant to talk about the risk classification system," notwithstanding that's the matter before this committee right now, what am I to do? We are now almost close to 5 of the clock. Are you prepared, as Chairman, to direct that members of the civil service who have prepared this legislation come forward to talk about the risk classification system first thing tomorrow morning?

Mr Owens: On a point of order, Chair: We have responded quite appropriately with respect to the section under debate. Whether Mr Tilson chooses to accept that as an answer is his—

Mr Mancini: You didn't give an answer. That's the problem.

Mr Owens: I'm being interrupted by Mr Mancini, who is constantly chiding me and then moaning and groaning to the Chair that he is being interrupted.

The Chair: Direct it through the Chair, Mr Owens.

Mr Owens: In terms of the question that has been asked, I've answered that question on more than one occasion. In terms of other questions you have put to me, I have answered directly or have referred them to ministry staff for further clarification.

Mr Klopp: It was pretty clear to me.

Mr Owens: In terms of the necessity for section 2, it is a matter of clarifying and codifying issues that are currently in practice within the industry.

Mr Tilson: I guess what I'm getting at is that it gets back to my comments with respect to the *Zurich v Bates* decision on which you have given your interpretation and legal counsel has given quite a different interpretation.

Mr Owens: I would disagree with that.

Mr Tilson: Well, that's your problem. I will say there's been no question in the past that the courts have upheld the current class plan. It has been based on statistics and it has been based on actuarial reports. Now we're going to have a plan being put forward that is going to be implemented by the cabinet when traditionally in the past it has been run and operated by the free enterprise system, namely the insurance industry, unless you're going to do another flip-flop and say you're going to have public auto insurance, God forbid.

Since you're directing the insurance industry to implement these plans, it's saying—it has said in presentations to this committee—that rates are going to skyrocket for seniors.

I'm simply saying it's rather unusual for a cabinet to interfere in the process and simply direct the insurance industry, which is operating these plans, to do all these things. They're showing statistics, they're showing actuarial reports, which is a heck of a lot more than you've done. In this whole legislation, I've seen some vague report by Mercer. That's really all we've seen and it doesn't mean a heck of a lot.

My question is very simple. Isn't it unusual that this legislation is going to allow cabinet to have the power to establish a classification system for automobile insurance which in the past is a system that's been used by the free enterprise system?

Mr Owens: Again, for at least the third time, this power currently exists within OMPP. We are simply clarifying and codifying existing practices.

Mr Tilson: OMPP does not eliminate the rate classifications. What are you talking about?

Mr Owens: That's not what I said.

Mr Tilson: What did you say?

Mr Owens: I said that the cabinet currently has the ability under OMPP to do just as we are doing here. I quoted to you earlier in terms of subsection 121(35) that's currently, and I say currently—

Interjection.

Mr Owens: Mr Mancini again is engaging in histrionics and doesn't care that Mr Valela is here to watch this show he's putting on.

I direct Mr Tilson again to subsection 121(35), which says currently, "prescribing classes of risk exposure to be used by insurers in determining the rates for each coverage and category of automobile insurance."

Subsection 121(36) says, and I hope you'll listen even more carefully this time, "prescribing classes of risk exposure which insurers are"—it's too bad I can't boldface this word—"prohibited from using in determining the rates for each coverage and category of automobile insurance."

As you see, Mr Tilson, we are not engaging in a new exercise. This exercise has already taken place. We are simply clarifying and codifying an existing practice within the industry.

The Chair: Mr Tilson, it being 5 o'clock, this committee will recess until 10 o'clock tomorrow morning in room 1. Mr Tilson has the floor.

Mr Mancini: You mean we're not going to room 151.

The Chair: We'll see if we can get that ruling from the Supreme Court down to the caucus offices tomorrow or early tonight. Thank you.

The committee adjourned at 1701.

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Phillips, Gerry (Scarborough-Agincourt L)

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Wiseman, Jim (Durham West/-Ouest ND)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson

Daigeler, Hans (Nepean L) for Mr Phillips

Haeck, Christel (St Catharines-Brock ND) for Ms Ward

Harnick, Charles (Willowdale PC) for Mr Sterling

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Christopherson

Klopp, Paul (Huron ND) for Mr Jamison

Mancini, Remo (Essex South/-Sud L) for Mrs Caplan

Mathysen, Irene (Middlesex ND) for Mr Ward

Owens, Stephen (Scarborough Centre ND) for Mr Sutherland

Tilson, David (Dufferin-Peel PC) for Mr Carr

Winninger, David (London South/-Sud ND) for Mr Wiseman

Also taking part / Autres participants et participantes:

Owens, Stephen, parliamentary assistant to the minister responsible for automobile insurance review

Simons, Craig, legal counsel, automobile insurance review, Management Board of Cabinet

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel: Beecroft, Doug, legislative counsel

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Insurance Statute Law
Amendment Act, 1993

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Jeudi 18 février 1993

Comité permanent des finances et des affaires économiques

Loi de 1993 modifiant les lois
concernant les assurances

Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 18 February 1993

The committee met at 1008 in committee room 1.

INSURANCE STATUTE LAW AMENDMENT ACT, 1993 LOI DE 1993 MODIFIANT LES LOIS CONCERNANT LES ASSURANCES

Consideration of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters / Loi modifiant la Loi sur les assurances et certaines autres lois en ce qui concerne l'assurance-automobile et d'autres questions d'assurance.

The Chair (Mr Ron Hansen): Good morning. This morning we're in day four of clause-by-clause of Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. Did everyone receive a copy of the case of Zurich Insurance Co against Michael G. Bates? Okay. We're going to be going on to section 2 of the bill, and Mr Tilson has the floor.

Mr David Tilson (Dufferin-Peel): Thank you, Mr Chairman. I guess, at the outset, we did leave off where Mr Owens had advised the committee of the report of the Supreme Court of Canada in the case of Zurich Insurance Co and Michael Bates. The clerk's office, as you indicated, has provided us with a copy of that.

I think it is useful to have this decision, so I do thank the parliamentary assistant for bringing it to our attention, although I must confess I find it strange that in his comments that it was this case—at least he gave the impression that it was this case, this Supreme Court of Canada decision where Mr Justice La Forest wrote the majority decision—

Interjection.

Mr Tilson: Was it Sopinka? You're correct; Mr Justice Sopinka wrote the majority decision. This decision, which began 10 years ago, went to the Supreme Court of Canada in 1988, and as you can see from the date of the reports at the top of the first page, it was reported in the fall of 1992.

I find it amazing, quite frankly, that the parliamentary assistant would come to this committee and give this committee the impression that it was this decision which spurred on the government to eliminate rate classification, because that isn't what happened at all. This bill, just to remind Mr Owens, was introduced on December 5, 1991, and the decision of the Supreme Court of Canada was made a year later.

Interjection.

Mr Tilson: I'm sorry? Well, it's rather strange. I would go so far as the parliamentary assistant's misleading us.

Interjections.

Mr Stephen Owens (Scarborough Centre): Point of privilege.

The Chair: Point of privilege.

Mr Owens: Mr Tilson is imputing motive and alleging that I've misled the committee. I would suggest that is wrong and I would ask him to withdraw that comment.

Mr Tilson: I think we should talk about that, Mr Chairman, because we have a case—

Mr Owens: There's no discussion about that.

Mr Tilson: I can have a discussion all I want. The fact of the matter is that this bill was introduced in December 1991 and the decision of the Supreme Court of Canada wasn't reported until the fall of 1992, almost a year later.

The Chair: Mr Tilson, maybe you could just withdraw that comment, "misleading."

Mr Tilson: I'll withdraw it.

The Chair: Fine, carry on, Mr Tilson.

Mr Tilson: However, the fact of the matter is that Mr Owens has led us to believe, in his presentation yesterday in response to some of my questions as to why the government was proceeding, that it was because of the decision of the Supreme Court of Canada of Zurich Insurance Co and Bates, that that was the reason why this whole principle of eliminating the rate classification system, particularly based on gender and age, came about.

Common sense can tell us that when you have a bill that was introduced almost a year before the Supreme Court of Canada decision came out—I'll leave it to your own. So you're right. I have withdrawn the word "misleading" because I am quite aware that there are certain words that for unusual reasons are unparliamentary, but you all draw your own conclusions when you look at those two dates.

What's going on here, Mr Chairman?

The Chair: What would you—

Mr Tilson: What's he doing?

Mr Owens: In terms of—

The Chair: What's your purpose, Mr Owens?

Mr Tilson: He's interrupting me.

Interjection: He doesn't have the floor.

Mr Owens: In terms of clarification of the comments that were made yesterday, I simply did not say that this was the only factor.

Mr Tilson: Come off the pot, Mr Chairman. That is not a point of clarification.

The Chair: No, it's not.

Mr Tilson: That is absolutely nothing.

The Chair: No, it's nothing.

Mr Tilson: It's babbling. It's muttering.

The Chair: Okay, Mr Tilson—

Mr Tilson: He spent yesterday interrupting Mr Mancini and now he's going to spend today interrupting me.

The Chair: Carry on, Mr Tilson.

Mr Remo Mancini (Essex South): He spent all day interrupting me.

Mr Tilson: Mr Mancini wasn't even able to get his presentation out.

The Chair: It's hard for the Chair to know until it comes forward.

Mr George Dadamo (Windsor-Sandwich): We've heard enough of Remo. We don't want to hear any more of Remo.

Mr Tilson: Well, I hope you listened to some of Mr Mancini's comments, because some of his comments were certainly important and should be considered by this committee.

Now, Mr Chairman, since the parliamentary assistant did raise this decision as the reason—and he can say all he likes today. That was what you said yesterday, that this was the reason, the Supreme Court of Canada decision, which came a year after this bill was introduced. That was the reason. So I guess they have a strange crystal ball in the Ministry of Financial Institutions as to what the Supreme Court of Canada said.

But now that we've all had a chance to read this case, let's start going over it, because again the parliamentary assistant has led us to believe that because of the decision of Chief Justice Sopinka, this is going to be the law of the land as to what he indicated. I would submit that what he said isn't what this case says, and we're going to go through that, because I think it's quite clear that if he's speaking on behalf of the government, either he made a terrible error or he and the Ministry of Financial Institutions, or the Minister of Financial Institutions, as he then was, have no idea as to what they're doing.

Mr Mancini: That's closer to the truth.

Mr Tilson: The whole gist of this decision, which was reported on in November 1992, began 10 years ago, went to the Supreme Court of Canada in 1988 and was finally heard last fall, a year after Bill 164 was introduced. This was a case which, if you'll turn to page 322 of the copy of the report the clerk has given us, I think we should spend some time on, because I want to be quite clear why the government is doing what it is.

If there's something else other than this case, then we're going to have to hear about it, because certainly the impression left by the parliamentary assistant yesterday was that it was because of this case, this decision of the Supreme Court of Canada, that the government is eliminating the rate classification. I'm going to read parts of this decision, I say to the parliamentary assistant and members of the committee—and I've asked for a copy of Hansard—because what he said yesterday and what this case says are two different things.

"A board of inquiry, appointed pursuant to the Ontario Human Rights Code...upheld a complaint made in May, 1993, that the...insurer engaged in prohibited"—

The Chair: Mr Tilson, you said "1993." Have you got the right date?

Mr Tilson: I apologize, 1983.

Interjection.

Mr Tilson: Sure, I'll put in all the words if you want. I'm trying to shorten the proceedings, but if you want me to read all the words—

Mr Mancini: Mr Tilson, take your time and put in everything that's said.

Mr Tilson: I'm going to read all the words. I apologize. I'm going to put all the words in at your request at the government side of this committee.

Interjection.

The Chair: Mr Johnson.

Mr Tilson: I'm going to start again.

The Chair: Okay. I just wanted to correct you so—

Mr Tilson: I'm going to read much slower because I understand I've left some words out.

"A board of inquiry, appointed pursuant to the Ontario Human Rights Code, 1981, upheld a complaint made in May, 1983, that the respondent insurer engaged in prohibited discriminatory practices in that young, single, male drivers were charged higher car insurance rates than young, single, female drivers or, young, married, male drivers or any drivers 25 years of age or over. The complainant alleged denial of the right to contract on equal terms without discrimination and of the right to equal treatment in services."

That certainly appears to be the gist of what the parliamentary assistant said, that he was worried about discrimination. As to section 2 and the succeeding sections dealing with the rate classification system, he and his minister are worried about discrimination and it was because of this case, which hadn't been reported on, that they introduced this principle into Bill 164.

"Respondent conceded that the classification system upon which its premiums were based constituted a prima facie infringement of the code but argued that the distinction between classes of drivers was based on reasonable and bona fide grounds and therefore fell within the exception provided by s. 21 of the code.

"The board of inquiry found that the code had been contravened but the Divisional Court and the Court of Appeal held otherwise. At issue here was whether differentiation in automobile insurance rates based upon age, sex and marital status was reasonable and bona fide within the meaning of s. 21 of the Human Rights Code, 1981."

The appeal was dismissed. That was the gist of it, which I must say wasn't the impression that was left by the parliamentary assistant yesterday. It was quite the opposite.

Mr Owens: There are a few more pages you should read.

Mr Tilson: You're darned right. We're going to read a lot of this case because what you said yesterday isn't the case today.

Mr David Winninger (London South): Have you run out of other material?

Mr Tilson: What do you want me to do, Mr Winninger? I'm starting to review this case.

The Chair: Mr Tilson, as you notice, no mikes are on anyplace else in the room. Just carry on. The Chair's listening to you.

Mr Tilson: Well, tell all that riff-raff to keep quiet.

The Chair: I've heard it on all sides.

Interjections.

Mr Winninger: If I wanted to be in law school, I wouldn't have run for politics.

Mr Monte Kwinter (Wilson Heights): If you could have got into law school you wouldn't have run for politics.

1020

The Chair: Order. Mr Tilson, you have the floor.

Interjections.

Mr Tilson: The decision as reported in the headnote, Mr Chair, which I'd like to refer to, and which was the majority decision of the Supreme Court of Canada, was, as I indicated, that the appeal should be dismissed. The decision was that:

"The determination of insurance rates and benefits does not fit easily within traditional human rights concepts. The underlying philosophy of human rights legislation is that an individual has a right to be dealt with on his or her own merits and not on the basis of group characteristics. Exceptions to this legislation should be narrowly construed. Insurance rates, however, are based on statistics...."

And this is what I was speaking of yesterday in my comments to the committee, that this whole process has been developed over the years with actuarial reports and statistics, not on the winging-it that appears to be going on with this government on this topic and many other topics in Bill 164.

You have to know what you're doing. You have to have sound facts. You have to have costing. You have to have a whole slew of things, and all of these principles should be followed before Bill 164 is passed; and section 2 and all of the surrounding sections that follow section 2 on that principle are prime examples.

This government is winging it, not as to what existed in the previous system, where you based your decision on facts, you based your decision on actuarial reports—and I'm not talking about Mercer, which was a pretty general sort of philosophy. It didn't go into all of the details on these regulations that we're not supposed to talk about.

I'm continuing with the decision:

"Although not all persons in the class share the same risk characteristics, it is wholly impractical that each insured be assessed individually"—and that isn't what the parliamentary assistant said yesterday. "Sometimes the class or group classification chosen will coincide with a prohibited ground of discrimination, bringing the rating scheme into conflict with human rights legislation. The code, however, exempts an insurer from liability for discrimination if based on reasonable and bona fide grounds.

"An important principle of insurance practice is that premiums charged to individual policyholders vary as much as possible in accordance with the degree of risk posed by the policyholder. The degree of risk is necessarily determined on the basis of groups sharing characteristics

material to the risk. Inevitably, some will be placed in a group who do not share the average characteristics of that group with the result that the rate discriminates against them. The basic human rights principles must take into account these differences when applied in the context of insurance.

"Section 21 provides a defence to a prima facie discriminatory practice if reasonable and bona fide grounds for that practice exist. A discriminatory practice is 'reasonable' within the meaning of s. 21 of the code (a) if it is based on a sound and"—and I want you to listen to these words and read them with me, because this is important—"accepted insurance practice, and (b) if there is no practical alternative." And if there is no practical alternative.

I'm going to stop there, because the government members, particularly Mr Owens, may or may not be correct in saying that this is discriminatory. The Supreme Court of Canada says that if you're going to put something else, you have to have an alternative. They don't have an alternative. They're winging it. They don't have any alternative at all. Remember, recall the answers that the parliamentary assistant gave to my questions yesterday. They have no idea. They're going to work on it. They're probably going to have a task force.

"A practice is sound if it is desirable to adopt it for the purpose of achieving the legitimate business objective of charging premiums that are commensurate with risk. The availability of a practical alternative is a question of fact to be determined having regard to all of the facts of the case. The practice, to meet the test of 'bona fides,' must be adopted honestly, in the interests of sound and accepted business practice and not for the purpose of defeating the rights protected under the code."

That's not really complicated legalese which the Chief Justice said. It's in very clear English and I submit it is not what the parliamentary assistant said yesterday.

"Human rights values cannot be overridden by business expediency alone. To allow 'statistically supportable' discrimination would undermine the intent of human rights legislation which attempts to protect individuals from collective fault. It would also perpetuate traditional stereotypes with all of their invidious prejudices. Whether there was an alternative, which in all the circumstances was practicable, must be considered."

Here we have a government that's going to put forward an alternative, but it won't tell us what it is. Why in the world are you contravening the law of this land, the law of the Supreme Court of Canada, because that's what Bill 164 is going to do. It's going to contravene a decision that was made last fall, after your bill was implemented, which contravenes the law of this land.

Carrying on at page 324:

"Setting premiums on a basis that did not rely on the classifications then in use was not a practical alternative for the industry. It would have been even more impractical for the respondent unilaterally to adopt its own classifications based on non-discriminatory criteria because actuarially reliable figures, based on only its own data, were impractical or impossible to obtain. The fact that it was theoretically possible to collect data based on other criteria

does not establish that reasonable alternatives to the current system exist."

So I can tell you, while we're reading this thing—and we're going to read some more of it; we're going to refer to some more comments in this decision—I want the parliamentary assistant to get together all the actuarial and statistical advice, information, that his government has that's going to put forward this unknown new system that he hasn't told us yet—and I suspect he hasn't the foggiest idea what it's going to be—and I think it should be presented to this committee because we need to have all of that information.

There are some comments that Mr Justice Sopinka makes in the body of his decision that are going to interest him even more because I don't think he's read this case. I don't think Mr Owens has read this case. He hasn't the foggiest idea what this case says. Some of his staff handed him a note yesterday and said, "We'll get Tilson here. Read this out," and that's what he did. He hasn't read it. I'll bet you \$10 he hasn't read it; so we're going to read some of it this morning.

I'm continuing on with the reading of the headnote, the last two paragraphs of the headnote:

"To require an insurer to establish that the very essence of its business would be undermined if it could no longer rely on discriminatory group characteristics for its rate classification system is too high a standard and is not required by section 21. This standard ascribes too narrow a meaning to what constitutes a practical alternative. An alternative may be impractical even though its adoption would not undermine the very essence of a business. Furthermore, this standard tended to minimize the importance of the statutory framework within which the industry and the respondent were required to operate."

The final paragraph in the headnote—you listen to this, Mr Owens; you listen to this very carefully, or if you don't listen to it, at least read it:

"The insurance industry must be allowed time to determine whether it can restructure its classification system in a manner that would eliminate discrimination based on enumerated group characteristics and still reflect the disparate risks of different classes of drivers. While the situation as it existed in 1983 did not provide a reasonable alternative to setting premiums based on age, sex and marital status, the situation today and in the future may be quite different. The insurance industry must strive to avoid setting premiums based on enumerated grounds."

1030

Of course that's what the Supreme Court of Canada is saying, but it's also saying that you must have statistics; you must have an alternative. You people simply can't wing it and say, "We're going to change the system." You must be able to replace it with something.

Mr Paul Klopp (Huron): We are not winging it.

Mr Tilson: You have no idea what in the world you're doing. You don't know the alternative. I'm looking forward to hearing Mr Klopp come forward in the next rotation and tell us about this wonderful new classification system he's going to have, and I'm looking forward to him filing with

this committee the statistics and actuarial facts he has to substantiate this new, wonderful system. The brave new world of the NDP is a joke.

Mr Chairman, that concludes the portion of the headnote, but I would like to refer to a couple of comments in the body of Mr Justice Sopinka's majority decision. The first one is at page 338, if you're following along with me—I know the parliamentary assistant is—and the top part of page 339.

"The determination of insurance rates and benefits does not fit easily within traditional human rights concepts. The underlying philosophy of human rights legislation is that an individual has a right to be dealt with on his or her own merits and not on the basis of group characteristics. Conversely, insurance rates are set based on statistics relating to the degree of risk associated with a class or group of persons. Although not all persons in the class share the same risk characteristics, no one would suggest that each insured be assessed individually. That would be wholly impractical."

I say to you that Bill 164 is wholly impractical, but more specifically, this unknown system, which you haven't yet told us. In fact, you didn't even give us a preamble as to why you're making your changes in this section 2, why this amendment is coming through. We've had to pull teeth, and the teeth that we've been pulling are absolutely rotten.

I'd like to continue on with another quotation. I'll admit some of these things have been said in the headnote, but I think it's important that we emphasize the issues of this very important decision.

The Chair: Mr Tilson, I'm not following along. Can you say the page and where you're reading from?

Mr Tilson: The last page I read was page 338, and the next page I'm going to refer to is page 342.

The Chair: Okay, fine. That's a lot easier for all the committee members to follow.

Mr Tilson: It's at the very bottom of page 342.

"In my opinion, a discriminatory practice is 'reasonable' within the meaning of section 21 of the code if (a) it is based on a sound and accepted insurance practice."

There have been no facts presented to this committee that the new proposal of the NDP is based on a sound and accepted insurance practice. In fact, we don't even know what the new system is. But I would say to you that based on the law of the land, it's incumbent upon the government to file facts to this committee if we're going to properly understand what in the world section 2 is all about.

To continue: "and (b), there is no practical alternative. Under (a), a practice is sound if it is one which it is desirable to adopt for the purpose of achieving the legitimate business objective of charging premiums that are commensurate with risk. Under (b), the availability of a practical alternative is a question of fact to be determined having regard to all of the facts of the case."

"In order to meet the test of 'bona fides,' the practice must be one that was adopted honestly, in the interests of sound and accepted business practice and not for the purpose of defeating the rights protected under the code."

Again, I appreciate that many of those words were given in the headnote, but I read them for emphasis.

I think also I'd like to refer to the portion on the same page—that's 343—where they talk about the statistical plan. This does give a little bit of the history of this issue. I know you're reading it, but I'd like to emphasize it to the committee, Mr Chairman.

"All automobile insurers in Ontario are required by the Insurance Act...to compile and report statistics and other insurance data in the form and with the content dictated by the 'statistical plan' prescribed by the superintendent of insurance."

Of course, this committee hasn't seen any of that information. If it's out there, and I assume it is, this committee hasn't received any information from the government on that.

"It is the superintendent of insurance who is ultimately responsible for the supervision of the business of insurance in the province of Ontario. This information, composed mainly of statistics regarding accident losses, is published by the industry in a document commonly referred to as the 'green book.' The statistical plan requires that data be collected in relation to a number of factors including age, sex and marital status. This statistical plan was originally developed in the 1920s and early 1930s in order to provide the insurance industry with a sufficient statistical basis to set automobile insurance rates. A similar plan was developed in most Canadian jurisdictions. The entire structure of the automobile rate-setting system in Ontario flows from this collective loss experience, compiled within a legislatively determined statistical framework."

So, Mr Chairman, where we've got to now has been based on statistics, actuarial evidence, facts based over the years, and here's this brave new government going to come forward with no facts because none have been filed. The Supreme Court of Canada says that if you're going to do this, you must have facts. These people don't have any facts. They're winging it, just like they're winging the entire bill.

"As well as requiring the collection of certain data, the Insurance Act, through ss 393(b)(iii) and section 396, gives the superintendent the power to prevent any insurance practices he or she finds to be unfair or deceptive."

So I would hope that the parliamentary assistant would be cognizant of that provision as well, and may indeed have some comments to make.

"While much has been made, in this appeal, of the wish of the superintendent to move from the current rating practices"—I'm on page 344 now, Mr Chairman—"no order has ever been made by the superintendent in regard to the industry practice of setting automobile insurance premiums based on age, sex and marital status. Mr Newton, the senior actuary in the office of the superintendent of insurance for Ontario, admitted in evidence given before the board of inquiry that if the office had concluded that there was bad faith relating to the structuring of the statistical plan, the superintendent would have directed that the plan be amended. Equally, the successor to the superintendent (the commissioner of insurance)...has done nothing to prohibit differentiation on the basis of age, sex or marital status despite having wide-ranging powers to do so."

So there is a plan out there. There's an existing plan. This isn't a concentrated effort to discriminate against young males, as the Supreme Court of Canada has told us. That's not what the parliamentary assistant said yesterday. The Supreme Court of Canada said that's just not the case. They encourage the insurance industry to develop another plan, and there have been no facts given by the government as to what they're doing to encourage that to take place. There have also been no facts presented to this committee, or to anywhere that I know of, as to statistics that the government is developing to create a new plan. The whole system will be chaotic if the government continues with its plan to eliminate the rate classification system based on age, gender and marital status.

Page 345—I haven't got too many more to refer to, Mr Chairman—

The Chair: There was one thing: Being a lawyer, down on the bottom of 342, that was Alberta Dairy Pool against Alberta. It was the same one: "it is based on a sound and accepted insurance practice; and (b) there is no practical alternative."

1040

Mr Tilson: Sorry, where are you referring, Mr Chairman?

The Chair: Page 342—you quoted that—at the bottom.

Mr Tilson: Yes.

The Chair: Do these rulings come down from a case previously? It seems that the same wording, as a lawyer—I know if you buy life insurance, you could apply this. It's the same principle.

Mr Tilson: I'm simply saying, Mr Chairman, that this whole process of the rate classification system has been built up over the years and that's why I read the historical part of it, going back to 1920. They've looked at statistics.

The Chair: But they keep going back to the case.

Mr Tilson: They look at statistics as to what young male drivers have done, what married people have done, what unmarried people have done—all of these things—and on the face of them they sound discriminatory, but the fact of the matter is there are statistics, there are actuarial reports, there are facts. This government has not presented its facts to this committee to justify what it's doing and, furthermore, to comply with the Supreme Court of Canada decision, as presented by the parliamentary assistant yesterday, the Zurich Insurance Co and Bates.

The Chair: I was just wondering—it's exactly the same wording in each case.

Mr Tilson: It bewilders me, Mr Chairman, why the government is doing what it's doing with this case in mind. Mind you, this case had not been held, had not been decided upon, when the bill was first introduced and that's a factor we must not overlook. I think that, notwithstanding the fact the Court of Appeal—

The Chair: Sorry I interrupted you, I just wanted the legal aspect, used over and over again—

Mr Tilson: No, that's quite all right. I think it's important. I think we should talk of all of these things, Mr

Chairman. I encourage you to add your comments, and other members to ask for clarification, because we may need the counsel to clarify what his thoughts are on this.

On page 345, continuing on with Mr Justice Sopinka's decision:

"In fact, the industry and the superintendent of insurance have been trying, since at least 1977, to develop acceptable alternatives to the criteria of age, sex and marital status." So this isn't something new. That's the amazing part of it; the government, from the Honey Harbour decision, has decided to do something new, but it doesn't know what it's doing. They have no idea what they're doing. They certainly haven't read the decision of Zurich Insurance Co and Michael G. Bates. Certainly, the parliamentary assistant hasn't, as a result of his observations from yesterday.

"In this regard, the office of the superintendent embarked on a search for effective alternative criteria. In parallel, the industry also undertook an exploration for alternatives. While he sought changes to the manner in which premiums were set, the superintendent stressed that 'a change in the statistical base should be allowed a sufficient length of time to gain credible experience from an actuarial standpoint.'"

I doubt very much whether this brave new government has done that.

Mr Klopp: Where does it say in section 2 that on such-and-such a date, all of a sudden something's going to be changed? I wish we could stick to the section.

Mr Tilson: I'd be pleased to refer you to the section. Do you want me to read it to you, Mr Chairman, through you to Mr Klopp?

Mr Klopp: Where does it say that on a certain date something's going to change?

Mr Tilson: The government of this province, this brave new government, has, as a result of section 2 and as a result of statements made by the House leader and Minister of Financial Institutions, the minister responsible for auto insurance, made statements in the press, publicly, in the scrums, all over the place, that the government will be eliminating rate classification based on age, sex and marital status.

What section 2, of course, is doing is talking about the definition of the rate classification system. The parliamentary assistant, in his wisdom, yesterday tried to tell us all what that meant. But he has no idea what it means. They're still working on it. So you're asking us, you're asking the people on the opposition, to accept what you're saying, that by regulation you're going to come up with something. You can't come up with something unless you have facts and statistics. You can't wing it in government. You have to have facts to rely on what you're doing.

Mr Klopp: Which the industry is working on, since 1977.

Mr Tilson: Why in the world would you put this into Bill 164 when that work is still under way? You can't do it. You can't change the system in the middle of the stream.

Mr Klopp: Nothing is changing. We're allowing for changes.

Mr Tilson: Why would you allow for the system?

The Chair: I'm sorry. Mr Tilson, You have the floor. Mr Klopp's mike isn't on. It's going to look a little funny when we get the Hansard back.

Mr Tilson: Mr Chairman, I'm sure Hansard will pick up everything Mr Klopp is saying.

Mr Winninger: The Tories have always been afraid of change.

Mr Tilson: There's going to be a change in a couple of years, I'll guarantee that.

The Chair: Order. Mr Tilson, would you mind getting back on with your comments?

Mr Tilson: Continuing on, Mr Chairman, with Mr Justice Sopinka's comments, in the middle paragraph on page 345, "It should be noted that changes in a system as complex as insurance cannot be made instantaneously," Mr Klopp.

Mr Klopp: Exactly. That's why we're here.

The Chair: Through the Chair.

Mr Klopp: Sorry, Mr Chair.

The Chair: What I'm going to do is I'm going to have Mr Klopp sit in the chair for just about five minutes. It's not a recess.

Mr Tilson: You're going to put Mr Klopp in the chair?

The Chair: Yes.

Mr Tilson: Wonderful. That'll shut him up, finally. Mr Chair, I don't want any heckling going on. I want you to listen to my remarks, so just sit there and listen to me.

Ms Christel Haec (St Catharines-Brock): Now you can have a real conversation.

Mr Tilson: Continuing on, Mr Chair, if you'll follow along with me on page 345:

"It should be noted the changes in a system as complex as insurance cannot be made instantaneously. Once a change has been made to the statistical plan, it takes three years to see the results of that change. It takes this long to publish the plan changes, implement the changes in company data processing systems and compile and publish a full year of statistical experience."

This is the Supreme Court of Canada, Mr Chairman, telling the people of Ontario, the insurance industry and the government what the proper law is to avoid discrimination.

"The criteria of age, sex and marital status were retained in the statistical plan as, in the absence of a proven alternative statistical base, the effect of dropping those criteria could well have seriously disrupted the automobile insurance marketplace."

That's what Bill 164 is going to do. You know that, Mr Mancini knows that and I certainly know that. We're going to have a big, big crisis before you people are booted out of office. You'll have created this mess and you won't have any idea how to solve it, because it'll be a thousand times worse. We've had delegations come to us that say: "Let's give it time. We don't like OMPP, but we haven't even had a chance to work it. Let's give it a chance."

They've warned you. Not you, Mr Chairman, because you're now in the chair being quiet and listening to what I

have to say. They have warned the government that you must wait, you must get statistics, you must see how these systems are working. You can't change these complicated systems instantaneously. You can't do that.

Then he quotes the superintendent, on page 345:

"We should not take steps...that would produce a chaotic condition in the marketplace, where, particularly the present under-25 drivers, there is no real basis for judging or calculating what their rates are.

"And the effect of not having an alternate system that was developed could well have produced a chaotic effect in the marketplace that may have affected all premium-paying members of the public who buy insurance."

That's what the superintendent of insurance says. Everybody's saying all these things except the government. The government is just plowing—

Interjection.

Mr Tilson: You be quiet, Mr Chairman. You're a Chair. You do your job. You're already itching. You have to wait until you get back over there before you can heckle me.

Mr Winninger: Don't tell the Chair how to do his job.

Ms Haeck: Why are you baiting him? If you want to have a little repartee, I'm quite sure Paul would be—

Mr Tilson: A repartee?

Ms Haeck: Yes, a little repartee. You know, a little discussion about this clause or that clause or what year it was in or what precedents have been set.

Mr Winninger: Anything to kill time.

Ms Haeck: I'm quite sure Brother Klopp would be happy to engage in some interesting conversations.

Mr Tilson: Do you mind if I get a drink of water while they're talking, Mr Chair?

The Acting Chair (Mr Paul Klopp): Mr Tilson, are you done now?

Mr Tilson: No.

1050

The Acting Chair: Do you have a question at all in your comments? When we go through clause-by-clause, usually people have questions from time to time. If you have no questions, we'll move on to the next party.

Mr Tilson: Thank you.

The Acting Chair: I know you have the floor, but are there some questions?

Mr Tilson: Thanks for your assistance, Mr Chairman.

The Acting Chair: The PA's just itching to answer questions.

Mr Tilson: Oh, I hope there'll be some questions. I have a lot of questions, and I'm sure Mr Mancini has a lot of questions. I can't believe other members of the government don't have some questions with respect to this decision. It's a very clear decision.

The Acting Chair: Okay, you're leading to some questions, I understand, right?

Mr Tilson: Yes, I will have some questions.

The Acting Chair: I just want to make sure.

Mr Tilson: But before we do that, I'd like to conclude the disposition of this case which was presented to us yesterday by the parliamentary assistant, and I thank him for that. On page 353 of the report, Mr Justice Sopinka gives his concluding remarks, where he dismisses the appeal with costs. Wouldn't it be wonderful if we could penalize the government?

"Zurich set its premiums on the basis of the only statistics available to the insurance industry at the time in question. These statistics supported the imposition of higher premiums on certain classes of drivers whose cumulative accident history suggested an increased insurance cost. Faced with an absence of any other criteria in which to set insurance rates, I am satisfied that Zurich set its rates on reasonable and bona fide grounds as those terms are used in section 21 of the code. Zurich was, in short, forced to use the industry-wide statistics contained in the superintendent's statistical plan to set its premiums. While it is not enough that insurance premiums be set in good faith and be supported by credible actuarial evidence, I find that Zurich has acted within the limits of section 21 of the Ontario Human Rights Code, 1981, in all the circumstances of this case. In view of this conclusion, it will not be necessary to consider the effect of subsection 46(3) of the code. I would therefore dismiss the appeal with costs."

So that is the real situation of the law of this land on the subject of rate classification.

I think that when we start talking about section 2 and we start talking about the risk classification system—unless what the minister said is not correct, that he's not going to be eliminating the rate classification system, and I assume he's going to be, because all the delegations that came forward to us—Mr Mancini has referred to some and I intend to refer to a few as well—are very, very concerned about the direction and the way it's going and what it's going to do to the whole insurance industry. Our rates are going up. Almost all the insurance companies, with the exception of one or two—I think State Farm is one—have made application for rate increases.

Mr Owens: Don't forget Allstate.

Mr Tilson: Sure. On top of that, they are also saying, Mr Chairman—

Mr Mancini: Mr Tilson, who's the Chairperson?

Mr Tilson: I don't know. I gave up a long time ago. There are a couple of faceless characters up there who have claimed the chair.

The Acting Chair: Stick to your—

Mr Mancini: Why do you allow all these interjections?

The Acting Chair: Be quiet, now. It works both ways.

Mr Mancini: It's okay for the parliamentary assistant to shoot his mouth off any time he wants.

The Acting Chair: Carry on, Mr Tilson.

Mr Mancini: But if we object to the parliamentary assistant interrupting, then he tells us to be quiet. That's great.

The Acting Chair: I told him to be quiet too. Now he's settled.

Mr Mancini: Did you?

The Acting Chair: Yes.

Mr Mancini: Did you really tell him to be quiet?

Mr Tilson: The concern that is out there is that the government has told us, through the minister, specifically, Mr Charlton, that the government is going to be eliminating the rate classification system based on gender, age, marital status and who knows what else, because they haven't told us.

Section 2, of course, talks about adding a definition called the risk classification system. I asked the parliamentary assistant yesterday what in the world all that was. He didn't seem to know. He didn't seem to know what this new system is.

The Acting Chair: Are you going to be asking him that question?

Mr Tilson: No, I'm just making a few comments and then I will be asking the parliamentary assistant some more questions and seeing what other words of wisdom he has to tell us today.

But there is no question that through all these proceedings we have been led to believe on this committee, all the delegations have been led to believe, that the government is changing the risk classification system. Otherwise, I would have thought the parliamentary assistant would say: "No, you're wrong. We're not doing that. This is what we're going to do." He has no idea what we're going to do, but we're going to give him another chance.

I'd like to ask again some of the questions that I asked yesterday. Essentially, the first question was why we are doing this. Why are we—not we. I can assure you that the Progressive Conservative Party certainly wouldn't do something as foolish as this. But why is the government going to eliminate the rate classification based on some of these categories? Why are they going to do that? I asked the question yesterday and the answer was because of a Supreme Court of Canada decision which he referred to called Zurich Insurance Co and Bates.

It would appear that that is not true, because this decision hadn't even been given at the time the bill was introduced. So again I'm going to ask you, why are you doing it?

Mr Owens: Thank you for the question. I'll repeat what I said yesterday and hopefully this time you'll be listening a little bit more carefully.

First of all, we are simply clarifying and codifying activities that are available under the current OMPP legislation. We are codifying practices that are already in effect within the industry.

In terms of the second question, with respect to your reliance solely on my alleged comments that we're doing this because of the Supreme Court decision, I simply did not rely on that as my initial comment.

This is an issue of fairness, and I want to thank Mr Tilson—and I will more directly when I get to my ability to respond—for enunciating some very instructive sections, in my view. The issue of fairness is an acute issue in this province. Now, maybe the Progressive Conservative Party hasn't quite figured it out yet, but things have changed—

Mr Tilson: That's an understatement.

Mr Owens: —from 1983 to 1992 in terms of how society views issues like marital status, sex and age. There's certainly a different perspective put on these issues than was placed on those components back in 1983.

I think if you read a little bit more closely the comments coming from Mr Sopinka, there is a clear indication that in the absence of an alternative—

Interjection.

Mr Owens: —and maybe I can quote from page 353 as I did yesterday—"It would therefore be inappropriate for this court to find a particular practice to be unreasonable when no reasonable alternative exists."

So when we get back to discussing the particulars of subsections 2(1), (2) and (3), Mr Tilson will be pleased to be aware that in fact this is again a technical section. It's a clarification and a codification of practices that already exist. And Mr Winninger corrects me: It is Mr Justice Sopinka, with the respect due to a person of his stature.

I answered this question yesterday on at least three occasions. My answer has not varied today, and I stand by that answer. Maybe we can try something new and perhaps related to the section under discussion.

Mr Mancini: Mr Chairman, on a point of order: When are we going to get yesterday's Hansards?

The Acting Chair: Just a second. When can we get them?

1100

Ms Pat Girouard: They hope to get to the actual transcription this afternoon.

The Acting Chair: We hope this afternoon.

Mr Mancini: We won't able to have those Hansards today, then, to read back to the parliamentary assistant his own words. Is that correct?

Ms Girouard: It's possible, if you'd like to pull something out of sequence, to—

The Acting Chair: Is there a particular page that you wish to have?

Mr Mancini: Yes, because I agree entirely with the point that Mr Tilson has been making this morning. What the parliamentary assistant told us yesterday in this regard is not what he's telling us today and we need those Hansards.

The Acting Chair: Okay. Thank you. They're going to see if we can get that pulled out by 2 or 2:30.

Mr Mancini: Good, if that's possible.

The Acting Chair: Okay. Thank you. Is there any other question?

Mr Tilson: Oh, no, Mr Chairman. I thank you for that question, but I'd like to pursue a couple of questions.

The Acting Chair: I just wondered if he was done, that's all. Are you done with that?

Mr Tilson: Is he finished?

Mr Kwinter: Mr Chairman, can I ask a question of the parliamentary assistant based on his comments?

The Acting Chair: It's Mr Tilson's thing.

Mr Tilson: As long as I still have the floor, I have no problem.

The Acting Chair: Call it a supplementary then. I understand. Thank you.

Mr Kwinter: The parliamentary assistant, in response to Mr Tilson, was saying that the political reality of 1983 has changed, now that we're in 1993, pertaining to things like age, gender and marital status and as a result, Bill 164 has got to respond to that, and I agree. I agree that it has changed but the economics of it have not changed. The economics have not changed because of political correctness. This government has certainly been brought very forcibly to that conclusion in its response to things like employment equity and pay equity where it's had to put it off because the economics are not there.

I want to refer to page 345 on the situation with Zurich Insurance and Bates.

Mr Winninger: Interrogative?

Mr Owens: Is there a question?

The Acting Chair: Yes.

Mr Kwinter: No. I just want to get his reaction to it because it reflects—

The Acting Chair: Is it a question?

Mr Kwinter: Yes, it is a question.

The Acting Chair: Okay. Very quickly.

Mr Kwinter: What it says—

Mr Tilson: Never mind very quickly. Let him ask the question.

The Acting Chair: Be quiet, please.

Mr Kwinter: The question is at the very—

Mr Tilson: Don't you tell me to be quiet.

Mr Mancini: What kind of nonsense is that, the Chair telling people to be quiet?

Mr Tilson: How dare you tell me to be quiet. You let him ask his question and don't talk to me—

The Acting Chair: That's why I'd like everybody to be quiet. Please go ahead.

Mr Kwinter: It's okay. At the very bottom of page 345, and I quote, "And the effect of not having an alternate system that was developed could well have produced a chaotic effect in the marketplace that may have affected all premium-paying members of the public who buy that insurance."

My question to the parliamentary assistant is this: In his zeal to be politically correct, would he admit that by being politically correct, he is going to impose a burden on every other person who buys auto insurance in this province, and has he addressed that particular problem?

Mr Owens: I'm particularly glad to answer that question because I think, Mr Kwinter, that you and your colleague Mr Mancini hit on exactly what the difficulties were during the Liberal regime. You took a look at discrimination, you recognized that there was a problem but then you thought, "This will cost us votes." So in the interest of political expediency, you backed away from that.

In terms of how we have taken up the challenge, we've looked, we have understood that there is discrimination that exists within the system, we have taken a look at the Supreme Court of Canada decision, no matter what Mr Tilson wants to argue, and again I think his section is—

Mr Tilson: It's the way you looked at it.

Mr Owens: Would you let me finish my comments, Mr Tilson?

Mr Tilson: The bill was a year before the decision—

The Acting Chair: Order.

Mr Owens: I think the sections that Mr Tilson has quoted are instructive and actually help bolster our decision.

As I mentioned yesterday, Mr Kwinter, perhaps you weren't in the room at the time, but if we were able to move through this bill, we would actually get to section 38, which prescribes a dislocation management plan. So yes we have taken a look at how we would manage if in fact a dislocation did take place, but we're also solving the difficulties that your government did not do because of political expediency.

I'm very pleased to be able to sit here and respond to questions like that. Again, when I'm given my opportunity to take the floor, I'll more fully explore the commitment, and lack thereof, of the former government to fairness and equity.

Mr Kwinter: Mr Chairman, if I could just have one very brief supplementary.

The Acting Chair: Very brief.

Mr Kwinter: To have the parliamentary assistant talk about political expediency is absurd to the extreme. This whole exercise of Bill 164 is political expediency on behalf of the government.

Mr Mancini: As Mel Swart said.

Mr Owens: In terms of Mr Kwinter's comments with respect to political expediency, I would like to suggest, sir, that you talk to those people who will be disfranchised under the long-term care, the most catastrophically injured in this province. If you want to talk about political expediency, as the former Minister of Financial Institutions, why did you determine that this was appropriate, cutting people off after \$500,000, not allowing recognition of psychological injuries and emotional damage? Why is that not politically expedient? You abandon people.

The Acting Chair: You both had your points. Back to Mr Tilson. Do you have any more questions?

Mr Tilson: Yes, I have a couple of questions. Mr Owens, again returning to the definition section, having read portions of the Zurich case, can you now tell us what the NDP government's risk classification system is going to be? You have said that this is a technical section, and I agree. I would really prefer that you have a member of your staff come forward and provide specific details as to what this risk classification system is going to be. In other words, it appears to me, and I may be wrong, that in effect this system is still being developed. If it is still being developed, then I'd like to hear the progress to date and where we stand to date as to what the government's view of the new risk classification system's going to be.

Mr Owens: I'd like to thank the member for Dufferin-Peel for the question. Mr Simons is here, and in terms of the section under discussion, subsections 2(1), (2) and (3), we can again ask Mr Simons to review the technical nature of the sections and in fact, from a technical perspective, why the changes are needed.

Mr Craig Simons: I can't speak specifically to what work is being done.

Mr Tilson: Who can? Let's stop there. Who can do that, Mr Owens?

Mr Owens: In terms of the specific work, the details of the risk classification system at this point are not under discussion.

Mr Tilson: Whoa. What in the world are we doing here? We're talking about a risk classification system, under section 2, and you have the gall to tell us that it's not under discussion.

Mr Owens: That's right.

Mr Mancini: It's like the regs, we can't talk about it.

Mr Tilson: We can't talk about the risk classifications. We're going to vote on it, but we can't talk about it. Mr Owens, reconsider what you just said.

Mr Owens: We're asking you to vote on and hopefully support it so that we can get to an amendment, that's all.

Mr Tilson: But I want to know what the heck I'm voting on, and so do all the other members of this committee. What in the world is the risk classification system, and what have you done to date?

Mr Owens: I think I've answered your questions quite competently.

Mr Tilson: Mr Chairman, you've returned. Thank goodness you've returned, Mr Chairman.

Mr Owens: If I have not answered your question competently enough, in your view, Mr Simons is here and can.

Mr Mancini: He said he can't answer. He doesn't know.

The Chair: I would like some clarification here from Mr Owens. What is the amendment in section 2 that you're talking about?

Mr Mancini: We want facts. We want information.

The Chair: Is that correct? There is an amendment, you said, in section 2?

Interjections.

The Chair: No, but the amendment. You mentioned an amendment.

Mr Tilson: I'll repeat the question that I asked. I am trying to find out what the risk classification system is. It is my understanding that the government, through Mr Owens, has given the impression that it is working on this. What I'd like to know is what the progress is to date on this system and if they can fill us in on the technical aspects of the risk classification system and its development thereof to date.

Mr Mancini: We want to speak to the experts.

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Mr Tilson: That's right. We need to—the legal staff person—I'm sorry, I can't remember your name.

Mr Simons: Simons.

Mr Tilson: I'm sorry, Mr Simons. Mr Simons has indicated that he isn't prepared to advise us of that, so I would hope that the government will have some staff people who could be present so that we could ask some questions on the risk classification—

Mr Owens: Mr Simons is prepared to answer your question if you'd give him an opportunity.

Mr Simons: I'll explain to you what a risk classification system is, and it isn't restricted to regulations that may be prescribed. What it does is, it includes all elements that insurers may use to classify risks in order to determine rates.

Mr Tilson: What are all those elements?

Mr Simons: For example, the territory you live in, the type of car you drive. There are about 150 insurance companies and each has its own risk classification system. They may be similar in some ways but different in others.

Mr Tilson: Mr Simons, would you file with us the risk classification system? I assume there's documentation to reiterate what you're saying. Could you file that with the committee now?

Mr Simons: What is it that you want me to file?

Mr Tilson: I want you to file the system that's been developed by the government, that the government intends to put forward.

Mr Simons: I'm not aware of any system that's been developed by the government.

Mr Tilson: So we're asking—

Mr Simons: This is merely a definition that can be used for rates—classes of risks that are filed by companies for approval by the commission. This is the definition that includes what companies file. It also includes anything that could be prescribed by regulation.

Mr Tilson: All right. Mr Simons, what I need to know is—and I don't know whether you have that information or not—I need to know what the government's plan is on this risk classification system. I'm being asked to vote on something, but I don't know what it is, and it appears that no one else does either.

Mr Simons: I can't help you there, sorry.

The Chair: Mr Owens.

Mr Tilson: That's what I was afraid of, Mr Chair.

Mr Owens: The obtuseness of this member is absolutely staggering, Chair.

Mr Tilson: The obtuseness?

Mr Owens: The obtuseness in terms of—

Mr Tilson: What does that mean?

The Chair: The Chair doesn't understand that word either.

Mr Tilson: I don't know whether my privilege has been challenged or not.

Interjections.

The Chair: Okay, Mr Mancini.

Mr Mancini: Could Mr Owens give us an English translation for me and the NDP caucus members to follow? I know Mr Klopp understands these big words, but the rest of us are kind of confused.

Mr Owens: The member's lack—

Mr Winninger: It means otiose.

Mr Owens: In terms of the member's lack of willingness to accept perfectly reasonable explanations—

Mr Mancini: The Chair doesn't understand it. The Chair deserves an explanation.

Mr Owens: Chair, can we get back to this section, please?

The Chair: Could we just have the definition of the word?

Mr Owens: Difficult.

The Chair: Difficult, okay.

Mr Owens: Angle. A difficult angle.

Mr Hans Daigeler (Nepean): That's a polite interpretation.

Mr Owens: Well, that's right, but we're all polite here. We're all honourable gentlemen and women.

Mr Tilson: I think he could come very close if he's calling me difficult, Mr Chairman. I'm not difficult. No one on this side is difficult, and I think he should—

The Chair: Maybe difficult questions.

Mr Tilson: If that's what obtuseness means, then now that I know what it means, that I'm being difficult, I think he should withdraw that.

The Chair: Maybe difficult questions.

Mr Owens: In terms of the explanations that have been provided to the member for Dufferin-Peel on a number of occasions, and if the Chair has been listening carefully, I would suggest that we are becoming repetitious in what we are explaining and the questions are becoming repetitious. We are simply—

Mr Tilson: You're being asked the same question over and over because you're not giving any answers.

Mr Owens: May I complete my response to you, Mr Tilson?

Mr Mancini: It's all a big joke.

Mr Owens: Well, you're the people who are laughing over there.

Interjections.

The Chair: Order, order.

Mr Mancini: It was Mr Winninger and some of his other colleagues. We want answers—

The Chair: You're out of order, Mr Mancini.

Mr Mancini: Well, you tell the parliamentary assistant—

The Chair: No.

Mr Mancini: —if he's going to accuse people of things—

The Chair: No, no, I'm sorry. You're out of order.

Mr Winninger: Point of order, Mr Chairman.

The Chair: Point of order, Mr Winninger.

Mr Winninger: I was smiling at Mr Mancini's behaviour, not at any substantive matter—

The Chair: You can put your hand down.

Mr Winninger: —before the committee. Well, I'm never sure when you're going to cut me off, Mr Chair.

Mr Owens: The perpetual point-of-order machine here.

Mr Harnick: You're such an entertainer, David.

Mr Winninger: My point of order was that Mr Owens should file his thesaurus for the record.

The Chair: File—

Mr Winninger: His thesaurus.

Mr Mancini: It's all a big joke.

Mr Owens: Again, if you had been listening carefully to my responses and the responses of Mr Simons, we have indicated ad infinitum, for the purposes of Mr Winninger's comments, the purpose of subsections 2(1), (2) and (3). We are not doing anything substantially different other than to clarify and codify existing practices in the industry and what's currently in the Insurance Act. What part of that did you not understand?

Mr Tilson: We're being asked to vote on a new definition. We're adding the following definition, the "risk classification system." It's become quite apparent to the members of this committee that there isn't any, because you don't have a plan, you don't have a system.

All I'm asking you to do is to file the statistics and the facts you have to date, to tell us the progress you're making on this new risk classification system. There's no question the insurance industry has been given the impression as to what you're going to do. The minister in fact has said in quite clear English that he intends to eliminate the rate classification system based on age, sex and marital status. He said that.

Mr Owens: That's right. What a conflict.

Mr Tilson: When he's going to do that, if he's going to follow the Zurich case, he must have another plan. He must have another system, notwithstanding the fact that the Supreme Court of Canada says you should wait three years and develop statistics to see whether or not that's going to work.

Mr Owens: I think in terms of your interpretation of the Supreme Court decision, you fail once again to note the comments not only on page 345 but in some of the sections you've quoted. The operative phrase in this decision is that, for lack of an alternative system—

Mr Tilson: I'm going to read that section again to you. It's page 345.

Mr Owens: Let's look back to page 345.

Mr Tilson: "It should be noted that changes in a system as complex as insurance cannot be made instantaneously. Once a change has been made to the statistical plan, it takes three years to see the results of the change. It takes this long to publish the plan changes, implement the changes in company data processing systems and compile and publish a full year of statistical experience. The criteria of age, sex

and marital status were retained in the statistical plan as, in the absence of a proven alternative statistical base, the effect of dropping those criteria could well have seriously disrupted the automobile insurance marketplace.”

I read that from Justice Sopinka’s comments, I read it from the headnote, and you seem to ignore all that. All I am trying to get out of you—I’ll ask the question for the third or fourth time—is that you obviously don’t have an alternative system and I want to know the status of the plan you’re working on to develop an alternative system. If you don’t have that, that’s okay too. Tell us you don’t have that.

Mr Owens: In terms of this going back and forth on the Supreme Court of Canada decision, I direct you one more time, respectfully, of course, to page 353 of the decision and ask you, again respectfully, to read the paragraph beginning, “The insurance industry must be allowed time...”

As you go through that paragraph, Justice Sopinka says, “While the situation as it existed in 1983 did not provide a reasonable alternative to setting premiums based on age, sex and marital status, the situation today and in the future may be quite different.”

We are in the process as a result not only of issues like this decision, as I illustrated or tried to illustrate to you earlier—perhaps you weren’t listening as carefully as you might want to be—but issues of fairness are involved in this process as well.

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In terms of the issues around rate dislocation, again, I have indicated to you on more than one occasion that we have a rate dislocation management plan later on in the bill. Perhaps we won’t get to that today. That would be very unfortunate, because that would mean we would also not get to an amendment that you have put forward that we would like to work with you on.

In terms of some of the other issues, the regulatory power currently exists in terms of what can be included and what can be excluded. We are not changing that. We are, again, one more time, clarifying and codifying existing practices. We are going to make it clearer. We are going to allow the insurance industry to weight its particular classification items so that it can obtain what is, in its view, a business advantage. We are suggesting that on the issue of fairness, looking at page 353 and some of the other sections you have enunciated for our edification, we are providing the framework for an alternative.

Now, back to subsections 2(1), (2) and (3), this simply is a technical clarification and a technical codification. Mr Simons is quite willing and prepared to enlighten again you as to what this section means and how it is going to relate to Bill 164.

Mr Tilson: To Mr Simons, do you know of any document that exists that is codifying the existing practices?

Mr Simons: Do you mean a proposed classification system, whatever?

Mr Tilson: Yes.

Mr Simons: No, I don’t.

The Chair: I think you’ve exhausted that question.

Mr Tilson: I have. It appears that they don’t know what they’re doing and so that’s fine. I guess we’re not taken by surprise on that.

I’m going to get to another question that I posed to the parliamentary assistant yesterday and ask whether his answer is still the same. It would appear that the risk classification system gives total discretion to the cabinet to develop a system that was traditionally developed by the insurance industry. Is that what the legislation’s doing?

Mr Owens: Mr Tilson, as I indicated to you yesterday, as we proceed through this legislation there will be an amendment occurring later on.

Mr Tilson: Mr Chairman’s gone. I can’t hear you, Mr Owens.

Mr Owens: Perhaps you should listen a little bit more carefully.

Mr Tilson: I must have bad hearing. I can’t hear you. There’s too much babbling going on over there on the government side. They’re talking over there.

Mr Owens: It’s probably the air rushing through your ears.

Mr Mancini: Do you feel it necessary to be insulting at every opportunity, even when an honourable colleague says he can’t hear you, justifiably so. Do you think it’s worthy—

The Chair: Order.

Mr Owens: In terms of Mr Mancini’s comment, Mr Tilson indicated that there was a lot of babbling going on and I’m simply clarifying the source of the noise for him.

The Chair: Mr Owens, I would say that the comment that was made to Mr Tilson should be withdrawn.

Mr Owens: Withdrawn. His comment about the babbling from the other side of the room should be withdrawn as well. I was simply clarifying the source of the noise.

The Chair: But our members are having a hard time too, so if you can crank up the volume a little bit.

Mr Owens: As I indicated yesterday, and will reindicate today, in terms of the cabinet powers there will be no new cabinet powers established and there will be an amendment introduced later on in this bill. Unfortunately, we are not going to get through these approximately 10 reasonably technical issues, including an amendment that you and your party have requested around section 7, but an amendment that will occur later will make it clear that cabinet will not be able to regulate the mathematical formula to be used by insurers to establish a rate. In terms of allowing the industry to make those kinds of business decisions, there’s going to be a free hand in that respect.

Mr Tilson: We’ll wait and see what amendment you bring forward because my understanding of the bill as it now reads is—

Mr Owens: We would like to see that as well, if we could get to those sections.

Mr Tilson: Yes, I hope that time will be allotted for this committee to discuss all of the sections. We had a motion that was defeated yesterday where more time should be given. I need more time to understand these—to

use your own words—very technical sections, this very technical process of regulations that we don't know what they mean. The legal people don't know what they mean, the medical people don't know what they mean, the government people don't know what they mean, no one knows what they mean. We need a great deal more time to study these and other sections in the act and I hope the government members will reconsider the motion I made yesterday to allow this committee to take more time to study all of these issues.

I guess I'd like you now, Mr Owens, to tell me about—we're dealing again with the risk classification system that's at issue in section 2—the phase-in plan.

Mr Owens: When we get to section 38, I would be pleased to do that. We are currently discussing subsections 2(1), (2) and (3).

Mr Tilson: Mr Chairman, hopefully you will be fairly generous in these discussions. The difficulty is that this is not the first time Mr Owens has made this comment, that we can't talk about something because it's coming later on in the bill. We're now talking about adding something called a risk classification system and we're going to vote on that very soon.

To vote on that we need to properly understand what that means and for the parliamentary to simply say, "We're going to discuss it later, it comes up in another section"—and he's right. I'm prepared to admit that the phase-in plan is dealt with in section 38; I agree with the parliamentary assistant, that is dealt with in section 38, he's quite right.

The difficulty is, for us to properly understand the risk classification system in section 2, we need to ask and have answers to a number of questions that surround the whole topic of the risk classification system, otherwise I'm going to be voting on something now that I don't know what it means. I need to have a fuller explanation, so I would hope you would direct the parliamentary assistant to answer the question I just put.

The Chair: I've been listening to your questions. As I said, I think you're questioned out on that one item there. But I think the thing is here that this bill's being developed, that it has the working opportunity—this is what I know by hearing the conversation—that when they are developed, this bill will be able to deal with it. So we're not at that point. They have been developed but the bill is—is this what you understand too?

Mr Tilson: No, that isn't what I understand at all. The question that I guess I'm getting at is that there are a number of areas that surround the topic of the risk classification system. We're being asked to talk about a definition for a system that hasn't even been developed yet, we don't even know what all of these things mean when we start running through subsection (3).

I know there's a section and the parliamentary assistant has quite correctly pointed out that in section 38 there's a phase-in plan, but for me to properly understand the risk classification system, I would like to know answers to other areas surrounding this topic. Just because it happens to be dealt with in section 38, what happens if you vote now and it contradicts something later on? Do we then go

back and debate section 2 all over again? Somehow I don't think you'd allow us to do that.

The Chair: No, not once it's passed.

Mr Tilson: Maybe the parliamentary assistant says, "I don't want to answer that." That's okay.

The Chair: I take a look at something like regulations. You can refer to it, but they haven't been written yet, and there's only a draft copy. It looks like we're about the same thing in section 2, as the Chair sees it.

Mr Tilson: So we're not going to talk about regulations and we can't talk about the risk classification system; is that what you're telling us?

The Chair: To tie it in, but it's not there yet.

Mr Tilson: All right. I'll move on to another area.

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The Chair: Is that your understanding, Mr Tilson?

Mr Tilson: No, it's not my understanding. I have a lot of trouble understanding what in the world's going on with this bill. I mean, we're not allowed to talk about the regulations, we're not allowed to talk about the risk classification system, a system that hasn't even been developed. Anybody who's reading this stuff is going to wonder what in the world this government's doing. We're not even allowed to talk about this stuff. Mr Mancini loves to wave the regulations and I do too. We don't understand them, but we're not allowed to talk about them.

Mr Winninger: You've been talking for the last three days.

Mr Owens: Four now, David, four.

Mr Tilson: I'll move on to another area, Mr Chairman. I understand that I'm not getting anywhere on that area. We'd like to talk about the rates. This is a question to Mr Owens as the parliamentary assistant. We have the issue of rates. I had started to talk about that before when I was interrupted. With the exception of one or two or three companies that are not increasing their rates, they've applied for increases of rates. That's if Bill 164 isn't even passed. They've asked for increases of rates.

Bill 164 is supposed to improve the system. It's supposed to provide a cheaper system and a better system. But it's become quite clear, whether you're listening to Mercer or any of the actuarial reports that have filed with this committee, that rates are going to go up. One of the insurance companies has even said as high as 20%. When you add all this together, the rates could be as high as 30%.

Then we start talking about this risk classification system that's being talked about in section 2. Do the rates that are being suggested for the seniors of this province and the young women of this province mean that their rates are going to go up as well—because that's what the insurance companies are telling us—over and above the rates that are being suggested? Because of the change of the policy eliminating the rate classification system for gender and age and marital status, changing all that around, rates are going to go up, and they're going to go up over and above the other rates. Can you file with this committee the facts as to what those rates are going to be increased by for those groups of people?

Mr Owens: I'm not quite sure how the question deals with the section under discussion here, but I would like to respond to the issue with respect to the first part of the question around insurance companies applying for rate increases even prior to this legislation being introduced. Mr Tilson is, I would imagine, aware that the process is that applications are made and decisions are made on a case-by-case basis with respect to profitability and the need for that rate increase. If it's found that the increase is merited, it may or may not be granted. In terms of how your question relates to this clause, I'm not sure how a technical definition in terms of risk classification is related to rate increases. Perhaps you would like to clarify that question for me.

Mr Tilson: I'd be pleased to. Mr Chairman, through you to Mr Owens, we're talking about the introduction of a rate classification system as defined in section 2.

Mr Owens: Risk classification.

Mr Tilson: You're right; I've said that twice and I apologize.

Mr Owens: Always wanting to be helpful.

Mr Tilson: Thank you, Mr Owens. I appreciate that.

A risk classification system as set forth in section 2. We know rates are going up. The insurance companies have said that they're going to go up even higher for senior citizens and women particularly. They're going to go up substantially. In fact, there have been percentages thrown around of as high as 60% in the overall package. I assume the government has had some actuarial studies, because Mercer didn't talk about this. I assume the government has some facts that will talk about rates and the whole subject of rates. You've got the rates in the normal course of inflation and otherwise. I don't know what their grounds are, but there are obviously applications before the commission now to increase rates.

Mr Owens: And they'll be judged on their merits.

Mr Tilson: Yes. But then we have another set of rates that are going to be talked about, and that is the rates because of the regulations, because of the very expensive benefit packages. The insurance companies have all said that rates are going to go as high as 20% over and above everything else. They've also said that there's a third category, and that is the risk classification system. They say that's going to have a major effect on the rates. I think it was Mr Kwinter who said yesterday that common sense tells us that if you've got rates now which are going to be spread out among the women and the seniors, they've got to go up. They have to go up.

So my question to you again is, what facts do you have for this committee so that we can better understand what the increase of rates is going to be to seniors and young women of this province?

Mr Owens: Just in the event that you've forgotten what we're talking about under section 2, if you look at the current definition of "rate" it says, "in relation to automobile insurance, means all amounts payable under contracts of automobile insurance for an identified risk exposure whether expressed in dollar terms or in some other manner

and includes commissions, surcharges, fees, discounts, rebates and dividends;" and then, in brackets, the French translation "taux."

When you look at the proposal under our Bill 164, subsection 2(2), the issue under discussion with respect to rates in this section, "The definition of 'rate' in section 1 of the act is amended by striking out 'exposure' in the fourth line." This is the issue that's under discussion particularly at this moment.

In terms of the actuarial reports that are out there, you're quite correct that Mercer has completed a study on behalf of the government, and as a matter of fact, and Mr Mancini or Mr Kwinter can correct me, Mercer also did a study for the former government as well in this respect.

The issue of whatever percentage increase, and I believe it was 4.5%, that was a cost prediction to the system. Mr Tilson, we've been sitting here for appropriately three weeks, and I hope that you're understanding a difference between a systemic cost and a cost in terms of a business decision. So in fact in terms of some of the figures that have been quoted by the opposition parties and by some of the insurance companies, there's—

Mr Tilson: All of the insurance companies; not some, all. Every last one of them has warned you. Don't misread the facts.

Mr Owens: Every last one of the insurance companies in this province?

Mr Tilson: Every last one of the insurance companies in this province has warned you, Mr Owens, that if you implement Bill 164, the rates are going to skyrocket. The rates are going to skyrocket to an extent that this province has never seen before. You've been warned.

Over and above that, because we're dealing with the risk classification system, I want to know what facts you have to show the rate increases as to particularly seniors and young women of this province. I want to know what facts you have. Do you disagree with the insurance companies that say that the overall increase to consumers, to seniors and young women particularly, when you add up all the increases, the normal increases that they're applying for—and you're right; they may or may not get them—the increases that are going to come because of the changes of these generous benefits that you boast about and that are going to cost the industry an unbelievable amount of money and now the risk classification system, because there's another set of figures on top of that—they have alleged that the rates are going to increase as much as 60%. Either you agree with that or you don't agree with it. If you don't agree with it, would you file with this committee the facts to show that the insurance companies are wrong.

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Mr Owens: I appreciate that you used the word "alleged" in terms of their assertions that there will be rate increases of some of the astronomical proportions that have been predicted. I think, in terms of my prior comments around the process, that it will be up to each and every insurance company that feels it is in the position to require a rate increase, whether it's under OMPP—and

there are some that already have applied for those rate increases. Allstate Insurance Co, I believe, is a company that came before us and indicated to us that they're looking for an 8% increase. That's a decision that will be made by the Ontario Insurance Commission based on the facts that are presented during that process.

So in terms of whether I agree or disagree with the insurance companies, I think that's a moot point. There's going to have to be a demonstration of need by the insurance company, and if in fact there is not a demonstrated need, then no increase will be granted.

Mr Tilson: That really doesn't answer my question, because I'm looking for documentation.

Mr Owens: I didn't think it would.

Mr Tilson: Well, I'm asking if you have any documentation, any reports, and you don't appear to have any. That's all I'm asking. All I've heard—

Mr Owens: I'm not sure what kind of documentation we'd be looking for.

Mr Tilson: For example, there's no question that women, seniors, and young married couples are going to be hit hardest by this new, wonderful risk classification system.

Mr Owens: You don't know that.

Mr Tilson: There's no question about that. They will be the hardest hit. My question is, number one, have you analysed what the effect is going to be, what the percentage increase is going to be, and, more importantly, do you have some documentation or reports or statistics analysis to file with this committee so we can look at those things?

Mr Owens: I think you're making some gross assumptions in terms of looking at the issues with respect to potential rate dislocation. We certainly have a concern that that may in fact happen. As I have indicated throughout these hearings, the minister and his parliamentary assistant and the government are definitely concerned with costs in this issue, and this is why we have sat down and have worked extremely hard with the industry and with victim groups to put together a package that is going to be representative of the needs and provide a comprehensive benefit package based on a cost context that is reasonable for consumers.

Mr Tilson: Let me try it in another way, Mr Owens, because I'm getting nowhere with you on this direction. As you know, a study has been filed, a study that was prepared by Coopers and Lybrand. It's been reported in the press, and I'm sure the actual report is filed with this committee. That study estimated that average premiums of Ontario drivers would rise between 20% and 50% because the reforms that you're putting forward, dealing specifically with section 2, the whole subject of the risk classification system, would eliminate the insurance rate classification. Drivers with good records—and the emphasis is given, of course, to women and mature drivers, seniors, and married couples—would be eliminated, and that they would in fact be forced to subsidize the claims of more accident-prone motorists.

Again, we're going to refer to this case that you've brought up, this Supreme Court of Canada case. That's exactly what the Supreme Court of Canada talked about. You have to look at statistics. So you're getting into a system—and I'm going to get back to that. The Supreme Court of Canada says if you're going to have a new system, you've got to have statistics. You've got to have actuarial studies. Where are they?

I'm assuming, because of the different answers that you've given—and I'm just going to finally stop, because I'm going to finally conclude that you don't have any. You tell me, do you have them or don't you?

Mr Owens: Don't confuse me with facts, right? Is that what you're saying?

Mr Tilson: Yes, I would like to know the facts. I would like to have the facts that you have.

Mr Owens: What you're alleging is that first of all the Coopers and Lybrand report was an actuarial study. Is that what you're telling me?

Mr Tilson: I'm simply saying it's a study. I'm giving that as an example. If you say Coopers and Lybrand is wrong, then you tell me why they're wrong and produce the studies you have, the facts you have. Mercer certainly doesn't do that. The people of this province—seniors, young women, married couples—are very concerned their rates are going to go up, and they're going to go up because they are going to be subsidizing the costs of more accident-prone motorists. That's the general statement. Now, either they're right or they're wrong. If they're wrong, would you present facts to the committee that are going to tell us why they're wrong?

Mr Owens: I thought I sensed some agreement in the last comment that you made. With regard to the concern about rates going up with respect to subsidizing bad drivers, I would suggest that looking at objective issues like a driving record is certainly more germane to insurance rates than whether the person is married, whether the individual is a male or a female. Perhaps at 36 years of age I'm not of a generation that would understand the intent behind that type of classification system.

I said yesterday—and I hope you look at the Hansard when it's available—that if we sat down with a group of seniors and asked them, "Do you think it's fair or reasonable for good senior drivers to subsidize bad senior drivers?" I would hazard the reasonable answer would be, "No, it's not fair." The question is, if you took a mixed group of drivers—men, women, seniors, younger people—and posed the question to them, "Do you think it's reasonable that auto insurance rates be determined by anything other than what could be deemed an objective method, like driving records with respect to convictions, accident rates?" again, I would hazard a guess the reasonable response would be, "No, it's not reasonable to do that."

Mr Tilson: Mr Kwinter has a supplementary question which I am prepared to allow him to ask, but before he does that, I'm trying to figure out a way of asking the question clearly so the parliamentary assistant can understand. He's told us about his philosophy on this thing. I want to find facts of where they have analysed all of this

stuff. I want to see the reports. Either they have them or they don't have them. Maybe there's a third answer. Maybe they have them but they don't want to give them to us. That's all I'm asking. I don't want to hear his philosophy; I hear that every day.

The Chair: Mr Tilson, the way we've been going in rotation, one person in each caucus has been going.

Interjection.

Mr Tilson: Before Mr Kwinter asks that supplementary question, I would just like to again clarify that either the parliamentary assistant has this information that I request or—

The Chair: Okay, Mr Kwinter.

Mr Tilson: No, no. Before he does that, will the parliamentary assistant tell us whether he has that information or whether he doesn't have the information?

The Chair: Okay.

Mr Tilson: He's thinking about it and he's talking to his people. Maybe I should write him a letter.

Mr Mancini: Do you think he has the information, George?

Mr Tilson: He's asking someone whether he's got the information. Can you believe it?

Mr Dadamo: Are you the moderator?

Mr Tilson: I'm sitting here trying to fill in time while he's trying find out whether he's got this information. A simple answer, yes or no.

1150

Mr Owens: I think if you review my previous answers in terms of rates and the reasoning for the classification system that we are endeavouring to set up, starting with section 2, if you look at the process that an insurance company has to go through in terms of requesting rate increases, that question has been answered. It's been answered with clarity, it's been answered honestly and I'm sorry that the member for Dufferin-Peel chooses not to accept that answer.

The Chair: Mr Kwinter, supplementary?

Mr Kwinter: Yes, Mr Chairman, the parliamentary assistant's response to Mr Tilson states that it's a matter of fairness, and with all due respect, I just want to state something and get his response. What he has just said is exactly the basis of *Zurich v Bates*. Bates charged that Zurich was not acting fairly in categorizing an individual driver based on the experience of a particular group and they went to the Supreme Court to get an adjudication on that particular principle, exactly the principle that you are putting forward now.

On page 339 of Justice Sopinka's reply, he says: "Although not all persons in the class have the same risk characteristics, no one would suggest that each insured be assessed individually. That would be wholly impractical."

Now that is exactly the proposition that the parliamentary assistant is putting forward, that it should be done on an individual basis. Could he tell me what his response is to Justice Sopinka?

Mr Owens: I'd like to thank the member for his question. Again, what you are looking at is a snapshot that was

taken in 1983 and a decision rendered, and again I point to page 353. As Justice Sopinka has quite clearly stated, "While the situation, as it existed in 1983, did not provide a reasonable alternative to setting premiums based on age, sex and marital status, the situation today and in the future may be quite different."

In terms of the criteria, we are not talking again about looking at the member for Dufferin-Peel individually as a driver, we're looking at an objective set of criteria that talks about the driver experience. We're looking at issues of where you live, the mileage of the driver, the claims history that the insured would have, or proposed insured, and I think that these are reasonable issues to look at.

Again, with respect to Mr Kwinter, my understanding of Mr Kwinter is that he is a very reasonable person and I ask you to look further on in the decision and to reread some of the pages that Mr Tilson quoted for us. The operative theme throughout this entire decision is that in the absence of an alternative system—and I don't want to paraphrase Justice Sopinka—they have no choice but to rule, based on the snapshot that was taken in 1983.

We are now in 1993, fully 10 years later, and we're in the process of developing a system. In terms of what we're attempting to do under subsections 2(1), (2) and (3), while you certainly weren't the minister responsible at the time—it was your colleague, Mr Elston—it's my understanding that we are doing nothing more than clarifying what is currently under OMPP. We are not making dramatic changes. You folks, as the former government, already gave the power to insurance companies through regulation to look at issues of exclusions and what factors could be used, so I'm not quite sure why this is such an issue of contentious debate.

We are now on day four and have made stunning progress to section 2 of what we viewed as some merely technical amendments under sections 1 to 10. We seem to be spending a lot more time than is reasonably required. I see that we now have a new entry into the fray.

Mr Kwinter: Mr Chair, may I have a brief supplementary?

The Chair: Yes, Mr Kwinter.

Mr Kwinter: The parliamentary assistant has said that there's no intention on the part of the government to bring in a regime that would do individual classifications and admits that is in fact impractical. What he is suggesting is that what they would do is take a look at where the person lived, how much mileage he drove, what kind of a car he drove, and that would be the basis of this new classification system.

In his zeal to be politically correct and to shift the emphasis from age, sex and marital status, he's going to set up a whole other set of arbitrary criteria, where someone will say: "Why should I be penalized just because I live in Toronto? Why should I be penalized because I drive 10,000 safe miles when someone else drives 10,000 unsafe miles? Why should I be penalized because I drive a particular car and I drive it safely?"

So what you're really doing is transferring the onus from one category of criteria to another, and you're not

solving any problems except you are giving lipservice to politically correct solutions. Do you have any comment on that?

Mr Owens: It's too bad that you equate equity and fairness with sneering phrases like "political correctness." Again, I suggest that this is one of the reasons why you're sitting on the left side of the room at this point in history. We're not talking about an arbitrary system; we're talking about an objective process to assess the risk of the potential insured, nothing more, nothing less. Your insinuations that we are simply doing this to be "politically correct," I think are quite objectionable and certainly beneath the stature of a member such as yourself.

The Chair: Mr Tilson, we have one minute left.

Mr Tilson: We've certainly seen quite a performance this morning from Mr Owens. Have you analysed which consumers, if any, will be hit with increases as a result of the risk classification system?

Mr Owens: I'll defer to ministry staff.

Mr Simons: I think you have to develop the risk classification system first before you can really assess what the impact would be.

The Chair: Okay, it's 12 o'clock. We're going to recess until 2 o'clock.

The committee recessed at 1200.

AFTERNOON SITTING

The committee resumed at 1413.

The Chair: Good afternoon. We are on Bill 164, An Act to amend the Insurance Act and certain other Acts in respect of Automobile Insurance and other Insurance Matters. We're on day four. Good afternoon. It's 2:13 and we're on section 2 of the bill. Mr Mancini and, I believe, Mr Tilson had asked for a portion of the Instant Hansard for February 17, which every member has in front of him. I believe Mr Tilson is going to be making comments on it. Mr Tilson has the floor. You may begin.

Mr Tilson: I did ask for Hansard because I was concerned about the comments made by the parliamentary assistant. It's quite clear that what he said yesterday isn't really what he's saying today, particularly after we spent some time this morning reading the Zurich and Bates decision.

I'd like, for example, to turn to—the numbering system is confusing to me. It's the fourth—

The Chair: It's 1630-1.

Mr Tilson: Yes, 1630-1. It's the fourth page in. What do you call this? Is this the draft Hansard, or is this formally Hansard? What is this? Can we talk about it?

Interjection.

Mr Tilson: No, I'm going to read what the facts say. That's more than what you've been doing in these proceedings. I'm telling you the facts as to what's going on with this bill, and the fact is that there aren't any facts. I'd like to refer to the exchange that Mr Owens and I had on page 1630-1.

Mr Mancini: On a point of order, Mr Chairman: I am thoroughly disgusted by what I see here in the minutes and I'm terribly upset at the parliamentary assistant. You, Mr Chairman, on your advice, told each and every committee member not to make note of the absence of any members, because we don't know if they're going to the washroom, we don't know if there's a constituent outside the doorway waiting for them, we don't know why they're in or out of this room. You will agree with me, Mr Chairman, that my attendance in these committee hearings has been meticulous, to say the least, and I very, very rarely left the room other than to receive a phone call or to go to the washroom.

To have the parliamentary assistant put on the record at the bottom of page 4, referring to me, that it's unfortunate that I'm not here at this point is about as low as he's gone through these entire proceedings. We're either going to play it by the rules aboveboard—I don't mind the cut and thrust of politics and I don't mind him trying to destroy an argument that I'm trying to make or whatever he wants to do in a political fashion. I'm big enough to accept that.

But based on your advice, I have not on any occasion made note of anyone's absence, because I know the responsibilities members have. There isn't a member in this room who would dare say I haven't been meticulous in my attendance at these hearings. For the parliamentary

assistant to do that is as low as you can go, and I'm not going to take it.

The Chair: Can we ask that we retract that statement, Mr Owens?

Mr Owens: I'm not quite sure what the purpose is, in that I was simply wishing that Mr Mancini had been here. It was not that I was implying that he was off doing things that were not related to the committee work.

Mr Mancini: Read the record.

Mr Owens: It was not meant to be disparaging in any way, shape or form, and in terms of any kind of harm that may have been done to Mr Mancini's character, I would suggest that none has been done. However, if Mr Mancini is so offended by this comment, I would take the opportunity to indicate that I'll withdraw the comment and will certainly endeavour not to do that again.

The Chair: I would say that I appreciate, Mr Owens, your withdrawal and that this isn't something we do in the House or at committee either. I've heard a few comments. I know, when the Chair got up the one time, that I didn't appreciate, "The Chair is leaving." It wasn't done right. I didn't come back on it, but I've talked to our members also. There could be in the House, as it is, a call that comes from one of your constituents or an emergency situation at home. Mr Mancini or any member doesn't have to explain why he's making a telephone call or put his hand up to leave the room. I hope you're agreeable with the results there, Mr Mancini.

Mr Winninger.

Mr Winninger: Just on a point of order: It really is unfortunate that Mr Harnick isn't here today to hear this because last time—

Interjections.

Mr Winninger: Can I complete my point? I want to complete my point of order. When we were at our sittings in Ottawa and I stepped out for two minutes—

The Chair: No, no. Mr Winninger, we just discussed—

Interjections.

Mr Winninger: I'm completing my point of order.

Mr Tilson: You just think it's a big joke.

Interjections.

The Chair: I'm sorry. You're out of order on that one.

Mr Winninger: I have a point of order.

Mr Tilson: You don't have a point. You're insulting—

Mr Winninger: Allow me to complete the point of order.

The Chair: Okay, Mr Winninger. Complete it, but—

Mr Winninger: In Ottawa, when I stepped out of the room to make a five-minute phone call, Mr Harnick said, "Where are the government members?" He said, "They should be doing what the taxpayers are paying them to do."

Mr Harnick said that, notwithstanding that the day before in Windsor he left the hearings an hour early to go

back to Toronto. At that time, Mr Chair, you never asked Mr Harnick to withdraw what he said—

Mr Tilson: I find it simply amazing that you allow this to go on.

Mr Winninger: —so I suggest it's totally out of line that Mr Owens be asked to withdraw his comments.

The Chair: Mr Winninger, an eye for an eye and a tooth for a tooth isn't getting you anywhere here. Mr Tilson, you have the floor.

Mr Tilson: I'd like to refer to page 4 of this document, or the portion of the transcript that was provided to us of the proceedings of yesterday afternoon. The page number is 1630-1. There's an exchange at the bottom of the page between Mr Owens and myself.

I made the statement: "But we've been told that that is the intention of the philosophy of this legislation, of which this particular section is a definition of, that you will be eliminating the rate classification based on age and gender." It is this next statement that gives me the greatest of difficulty, and you ruled me out of order this morning for using the word "misleading."

Mr Klopp: What page again?

Mr Tilson: Page 1630-1. Mr Owens' response was, "We are looking at complying to a Supreme Court of Canada decision, *Zurich v Bates*," and then he goes on to insulting Mr Mancini.

That is a bold statement that the intent of section 2, section 38 and all of the other sections dealing with this new system is a compliance with the Supreme Court of Canada decision of *Zurich v Bates* which we spent some time on this morning. That's his rationale. The bill came out a year earlier; this decision was not made until the fall of 1990. The case didn't say what he is suggesting, complying with the Supreme Court of Canada decision.

1420

I'm going to read page 345 again, because it gives me great concern when the parliamentary assistant comes to this committee and makes statements such as he has. I'm going to refer you to page 345 of the decision again of *Zurich Insurance Co v Bates*.

"It should be noted that changes in a system as complex as insurance cannot be made instantaneously."

Really, that sentence is enough right there so that the whole principle that was put forward in this case—the case was dismissed, there was no discrimination. We've got a lot to talk about this afternoon and I'm not going to spend time rereading those sections. I hope that members of this committee will take note.

Mr Klopp: So what's your question?

Mr Tilson: I'm not asking a question at all. I'm very concerned.

Mr Owens: A point of personal privilege here.

The Chair: Mr Owens.

Mr Owens: Mr Tilson is clearly insinuating and almost said in his somewhat provocative language that I have lied. In terms of stating his case he has relied on a paragraph on 1630-1, that while it may not be a grammatically correct statement, it certainly does not indicate that I

in any way, shape or form have said that this government is relying solely on the case that has been cited, the Supreme Court decision, *Zurich Insurance Co v Bates*. I think that his rather selective review of Hansard is rather unfortunate and that he uses that selective review to impugn my character. Sir, I deeply resent that and I am asking Mr Tilson to withdraw that allegation that I have in fact lied to the committee, and that we move on with the bill that we're here to discuss.

The Chair: Mr Mancini.

Mr Mancini: I don't think we're accusing Mr Owens of lying, I think we're accusing him of not understanding what's going on. I think that's what the accusation is. I don't think Mr Tilson, from listening to him very carefully, made the accusation that Mr Owens lied. I think the accusation that Mr Tilson has made, and fortified his argument with this documentation and other pieces of information, is that the parliamentary assistant doesn't understand the bill. It's becoming more evident every day.

Mr Owens: With respect, the comments were made this morning that I had misled the—

Clerk pro tem (Mr Franco Carrozza): That was withdrawn.

Mr Owens: Pardon me, sir.

The Chair: That was withdrawn.

Mr Owens: With respect to the Chair and to the clerk, to deal with this case and this situation in isolation is not appropriate. Mr Tilson has called for the Hansard to demonstrate that I have in fact somehow misled the committee—in layman's language that I've lied. This Hansard in no way, shape or form demonstrates anything other than the point I was trying to make, and I am requesting, Chair, that he withdraw that allegation and clearly state that this Hansard does not demonstrate in any way, shape or form that I, as the parliamentary assistant, have misled the committee.

The Chair: I'm going to say that the clerk was talking to me about an issue there. I missed some of it, but I didn't hear the word "lying" at all.

Mr Tilson: I'd like to read some more things that Mr Owens said. It gets better.

The Chair: If it is in Hansard, which I didn't hear just now, if it said he was lying—

Clerk pro tem: He didn't say it.

The Chair: He didn't say it. Okay, the clerk said he didn't hear any "lying" there so I can't ask him to retract if he's not stating that you're lying. It depends on how you read between the lines.

Mr Tilson: I'm not reading between the lines, Mr Chairman, I'm reading Hansard. I'm reading the words of Mr Owens, and I'd like to read some more words from Mr Owens.

The Chair: Okay, well, carry on, and I'm going to be listening a lot more intently.

Mr Tilson: I hope you do, Mr Chairman, because what Mr Owens has said is quite serious. I'm going to turn to page 1640-2. I made a statement with respect to why Mr

Owens had waited until now to bring this case forward. Then Mr Owens stated—and it's always interesting when he starts taking personal shots at members of the opposition—and this is what he said:

"I think in terms of your duties in your critic area that you haven't taken the opportunity to fully inform yourself of decisions such as the *Bates v Zurich Insurance Co*"—of course it turns out exactly how much Mr Owens has read the case himself—"because it is an important case, and your colleague Mr Hamick, I'm sure, has some thoughts on the case and I'm surprised that he hasn't shared those details with you." Well, of course, we shared all those details with Mr Owens this morning and I hope he took note of them, made notes and underlined all the areas that I read.

This is the next part: "This is not a surprise." An interesting statement to make about two members of the House. I'm not going to get into personal privilege, but my goodness, if there was ever an area where I could rise and ask for withdrawals, this is it. These were just terrible actions by Mr Owens, but I must say it has been typical throughout all these proceedings. "These are issues we have raised with respect to fairness in the system and we simply are relying on a decision that we view as being directive from the Supreme Court of Canada."

Mr Mancini: Directive?

Mr Tilson: "Directive," I apologize.

Mr Owens: I said that?

Mr Tilson: You certainly did say that. You said it, and the case hadn't even come out yet. You printed a bill and you hadn't even seen this case, because the case hadn't been reported on. Chief Justice Sopinka hadn't even made his decision, so how in the world could you rely on a decision that hadn't even been made?

Mr Owens: In terms of my definition of "directive," we're simply looking at a suggestion, a direction, that has been written by Justice Sopinka, and I once again draw the members' attention to the decision by Justice Sopinka, page 353, that in terms of the decision that was made, he states—and I've repeated myself a number of times and I'm not quite sure how this discussion is related to the section under discussion—

Mr Tilson: You raised the case, Mr Owens.

Mr Owens: "While the situation as it existed in 1983 did not provide a reasonable alternative to setting premiums based on age, sex and marital status, the situation today and in the future may be quite different." In terms of the way we are proceeding and in terms of the comments that I made on page 1625-3, if I may quote Hansard—I don't mind quoting myself from time to time:

"Paragraph 35: 'Prescribing the class of risk exposure to be used by insurers in determining the rates for each coverage and category of automobile insurance.' Section 36 talks about 'prescribing classes or risk exposure which insurers are prohibited from using in determining the rates for each coverage and category of automobile insurance.' What we're doing with this section, as I say, is adding clarity. If, at some point, when I'm able to make some comments, we'll be discussing how the Supreme Court of Canada has nodded in the direction that insurance

companies should be removing these discriminatory items such as marital status and age and sex from their classification systems."

So in terms of your reliance on this as being your *prima facie* case that I have misled the committee, I would suggest once again, Chair, that the member is wrong and I would suggest that we cease this item of discussion—

Mr Tilson: I'm sure you'd like to stop this discussion.

Mr Owens: —and move back to the bill that we are supposed to be looking at, and that's subsections 2(1), (2) and (3).

1430

The Chair: Mr Tilson, I'd take a look at it; I don't think Mr Owens is misleading this committee, reading these two. It's not worded exactly the same, but—

Mr Tilson: You ruled me out of order. I haven't used that word. I went through that this morning. What are you talking about?

The Chair: No, okay.

Mr Owens: On a point of order, Chair.

The Chair: Mr Owens.

Mr Tilson: What are you talking about? I'm talking about—

Mr Owens: We are looking at section 2, subsections (1), (2) and (3), and in terms of this discussion, I'm not quite sure how this is germane to the section.

Mr Mancini: I know it's embarrassing.

Mr Owens: No, it's not embarrassing. It may be embarrassing for you, Mr Mancini, but it's certainly not embarrassing. I would be embarrassed about OMPP. That's what your aggravation's all about, OMPP. It has nothing to do with this. I would be embarrassed about OMPP if I were you, as well, and you should be embarrassed about it.

Mr Mancini: Right there, "directive from the Supreme Court."

Mr Owens: Well, sir, that's certainly your interpretation.

Mr Mancini: Before it was even done.

Mr Owens: As a member, you're certainly entitled to that.

The Chair: Mr Mancini, the thing is that it says "directive"; it doesn't have a date on it. I'm trying to read what's here, and to argue, like, this word and that word—

Mr Owens: We can sit here and split hairs for the rest of the afternoon. That's fine. We can certainly do that.

The Chair: Let's get on with it.

Mr Owens: We can banter back and forth about what "directive" means and what was the intent.

Mr Mancini: It's a word like "obtuse," you know.

Mr Kwinter: Mr Chairman, on a supplementary question: The parliamentary assistant is being very selective. He's using the *Zurich-Bates* case to bolster his argument, when in fact Justice Sopinka ruled against the appellant. What he said is that *Zurich Insurance* acted properly, given the circumstances.

Now the parliamentary assistant just quoted from page 353, and it says that "While the situation as it existed in 1983 did not provide a reasonable alternative to setting premiums based on age, sex and marital status, the situation today and in the future"—and this is key—"may be quite different." He's not saying it is quite different; he is saying it may be quite different. And if it is different, then I think it's imperative that the government bring forward to this committee its research that shows that the situation is different and that there in fact is a proper, statistical method for evaluating the risks of drivers under 25 who are single and male.

To use that clause to bolster the argument of the parliamentary assistant makes no sense. He says we're talking words. When you're talking law and when you're talking legislation, that is exactly what we're talking, words, and lawyers make their living by interpreting words. They will go and defend a case and appeal a case on the basis of one word.

Here's a section where it says "may." It doesn't say "is," it doesn't say "will"; it just says "may," and that I agree with. "May" covers a lot of things that could happen.

But certainly the onus is on the government. If they are saying, on the basis of what Justice Sopinka said: "We now have statistical data; we now have a rating plan that can effectively address the situation," that is not the case. We have seen no evidence whatsoever. Nothing has been presented to us on behalf of the government or the ministry to say: "We have read the case of *Bates v Zurich*. We have come up with a statistical plan that is fair and equitable, and it is going to form part of this bill." We haven't heard that.

What is happening, and the ruling is clear, is that, given the absence of that particular information, then the present system is bona fide and fair under the circumstances. Nobody is denying the fact that in an ideal world there wouldn't be this discrimination, but given the present state of the art as far as calculating risk is concerned, there isn't a viable alternative, and until the government comes up with one, what it's really doing is making a change on the "if come": "Somewhere along the line we may come up with something that is going to work."

But I think that we as members of this committee certainly are within our rights to ask the government: "Tell me, sir. You are changing the risk category classifications. What are you replacing them with? How do we know it's going to work, when the judge himself said, 'There may be at some time in the future a way of doing it, but at the present time there isn't, and as a result, I'm denying the appeal'?"

The Chair: Mr Owens, a reply?

Mr Owens: No comment at this time. Let's move on.

Mr Tilson: Let's have a recess, and we can go and do some research.

The Chair: Mr Tilson, you have the floor.

Mr Tilson: How difficult for this committee to operate, when the parliamentary assistant says he has no comment. It really is a difficult—

Interjection.

Mr Tilson: Well, now he has a lot to say, of course. When we ask him to speak he doesn't say anything, and then of course when I speak or Mr Mancini or Mr Kwinter speaks, he's got a lot to say. Whether his microphone's on, it doesn't matter. Anyway, he doesn't have anything to say.

The Chair: Do you have a supplementary there, Mr Winninger?

Mr Winninger: If Mr Tilson will permit.

Mr Tilson: Of course. I still have the floor, but I'm sure Mr Winninger wishes to add to—

Mr Winninger: Yes, just very briefly. I guess in essence I don't disagree with what Mr Kwinter has said, but I think, to be fair, quite frequently judges at all levels of the courts make statements in a deferential way to the legislatures and the Parliament of the land. It may not be the "ratio," as we call it, the main reason for the decision, but there's a term, "obiter dicta," and while obiter dicta is not the reason for resolving a case, it does have some judicial weight. Here, quoted from the *Zurich* and *Bates* case, it says,

"The insurance industry must be allowed time to determine whether it can restructure its classification system in a manner that will eliminate discrimination based on enumerated group characteristics and still reflect the disparate risks of different classes of drivers."

I put it to the members of the opposition that it seems perfectly reasonable that the government should promulgate a draft regulation to consult with the insurance industry and determine whether or not it can come up with the kind of alternative risk classification system that it seems to me all judges on the bench in the *Zurich* and *Bates* case are calling for. I think it's quite reasonable for judges, sitting as they do hearing specific cases, from time to time to call upon the government of the day to make some legislative changes.

I think it's equally incumbent on the government to respond sometimes to the kind of clarion calls that emerge from the courts. I know, certainly, that the lawyers on the other side of the room are aware that that frequently is the case, so I don't know that it's proper to say to the government, "Well, you must come up with the alternative risk classification."

Here, the judge himself has called upon the insurance industry to rise to the challenge, and even though in 1983 they may not have had alternative empirical evidence available to them to devise an alternative, he's certainly suggesting that now in the 1990s—and the decision was rendered, what, after June 1992?—maybe this is the opportune time to look at it.

I don't think there's anything in section 2 of Bill 164 which is in any way conflictual with what the judge is saying. That's why, I guess, I have some problems with this attack on Mr Owens, suggesting that he's deceiving the members of the committee and deceiving the public, because I think what he's saying is on all fours with what Justice Sopinka has called for here and, in even stronger terms, with the views of the dissenting judges in *Zurich* and *Bates*. So that's my point.

The Chair: Okay. Supplementary, Mr Mancini.

Mr Mancini: I just want to raise a brief point and respond to Mr Winninger, because what he's said is in fact a fairly clear response to some of the things that we've been trying to discuss carefully this morning and part of this afternoon.

What annoys us to no great end is that yesterday, when we made our arguments against changes in the rate classification system and when we gave arguments bolstering why we were against the changes—members of the committee may have heard those arguments—the parliamentary assistant took it upon himself to refer to this particular case that the Supreme Court had heard. I don't remember raising it myself; as a matter of fact, I know I didn't. I don't recall any of my colleagues on the opposition benches raising it. It was the parliamentary assistant's strategy to nullify our arguments by using the Supreme Court decision. It was further pointed out that the Supreme Court decision was given a year after the introduction of the bill, which in itself makes one wonder why the parliamentary assistant would use the Supreme Court decision as an argument to bolster his decision, when that time frame, in fact, puts his whole argument on shaky ground.

The other thing is—this is what we had been looking for since this morning—if I were to say to you after I heard you make an argument—and I want to quote the parliamentary assistant's words. If I were to say to Mr Winninger, "Well, that's all very well and good, but these issues that we have raised with respect to fairness of the system could be any system, and we are simply relying on a decision that we view as being a directive from the Supreme Court of Canada"—if I were to receive a directive from the whip's office, from the House leader's office, from the Clerk, from the Chair, from anyone, I would assume that that's a pretty firm indication—maybe we can't use the word "order" but I would say it's pretty close—of what the Chair or someone else wants us to do. When we invoke the Supreme Court of Canada, I think that strengthens the firmness of the order. So we had the parliamentary assistant, who is trying to nullify our arguments, saying that "We, the government, have a directive from the Supreme Court of Canada."

1440

Then he goes on and says something just as important to further indicate how important the Supreme Court of Canada's directive is. He says, "If you want to suggest that we ignore the Supreme Court of Canada, then go ahead and make an amendment so that we can continue down this road of discrimination," or something like that.

Now with all due respect, for us to have sat here yesterday and to have heard these words come out of the parliamentary assistant's mouth—I had not read that case. I'll be the first to admit I had not read the Zurich versus—is it Bates?

Mr Tilson: Bates.

Mr Mancini: I had not read the Zurich v Bates case.

Mr Tilson: Neither had Mr Owens.

Mr Mancini: So when I hear the parliamentary assistant saying these things—he's got appropriate staff with him—I'm assuming he may have read the whole thing.

I'm at a disadvantage; I didn't read it. That's fine, but he certainly led me to believe—and these words are not my words, and the words that he chose I'm sure he chose carefully and those words would lead anyone to believe, I say with all respect to Mr Winninger, that the parliamentary assistant was saying that the government was directed by the Supreme Court of Canada, period, and that the government wasn't prepared to challenge the Supreme Court, and if we were, then we were going to have to prepare our own amendments, which is fine. But now that we have his words and the Zurich v Bates case, we know for a fact that the Supreme Court of Canada did not direct the government to do anything.

The Chair: Mr Tilson.

Mr Tilson: The obiter dicta that Mr Winninger referred to, of course, was made almost a year after the bill came out. When the bill was prepared this case wasn't around; it was still—

Mr Winninger: The regs—

Mr Mancini: No, we can't talk about the regs.

Mr Tilson: Don't talk about the regs.

Mr Winninger: Sorry. I have a short memory.

Mr Tilson: But let's talk about the obiter dicta, because I don't think you get it, Mr Chair, through you to Mr Winninger. I don't think you get it.

I'm going to read the section that Mr Owens loves to quote to us, and it's just given before the disposition of this case on page 353: "The insurance industry"—this is the Chief Justice—"must be allowed time to determine whether it can restructure its classification system in a manner that will eliminate discrimination based on enumerated group characteristics and still reflect the disparate risks of different classes of drivers."

That's what he's read to us. But, you know, the court is saying the court wants the insurance industry to do this. They are the ones who have all the statistics. You people, quite clearly, don't have any statistics. You don't even have a plan. That was made clear in the last answer that was given by the legal assistant this morning. They don't have a plan.

The Chair: Mr Owens.

Mr Tilson: No, I haven't finished.

The Chair: Okay. I thought you wanted a response from it.

Mr Tilson: I guess if we're going to talk about this so-called obiter dicta, which didn't exist at that time, what the court is saying is, "Let the insurance industry solve this." My goodness, didn't you people listen to what I read this morning?

Mr Klopp: You need to allow regulations to do that.

Mr Tilson: I read it over. In fact, a couple of these passages I read over and over. That isn't what the case is saying, what Mr Owens is submitting. He's saying the insurance industry should do this, not the government. They haven't even got the capabilities of doing it. They haven't the slightest idea as to how to do this, nor have they tried.

The Chair: Mr Owens.

Mr Owens: Thank you, Chair. This discussion is clearly heading down the long road to nowhere in a very quick manner. Mr Tilson is once again suggesting that in my comments I have indicated that it was only the Supreme Court of Canada decision that led the government to make its call with respect to risk classification.

First of all, I want to direct Mr Tilson's attention to subsections 2(1), (2) and (3). If Mr Tilson clearly reads these subsections it will become apparent to him that in fact, as I explained on many occasions this morning, these are clearly technical subsections to set up and to clarify and codify existing practices within the industry now. No one has alleged to you or inferred in any way, shape or form that the Supreme Court decision was the sole basis for a decision. I'm sure you are well aware that prior to a case being brought to the Supreme Court there are many levels that the case would have to appear before—

Mr Tilson: The appeal court said the same thing.

Mr Owens: —and I would suggest that the government would have taken an interest in that process.

I stand behind what I say. I am quite clear that there is no variance between today and yesterday. I think we are looking at a rather large red herring here in terms of the progress on this bill, and I am prepared, as I'm sure Mr Tilson is prepared—we can sit and we can go at this for the rest of the afternoon, but I'm just suggesting that we are looking at merely a technical amendment to clarify and codify existing practices.

We can go through some kind of inquisition. I think that you're way off base in terms of your allegations and your assumptions and this certainly serves no particular purpose. It certainly does not move the bill forward in any meaningful way. But, Mr Tilson, you are entitled under the standing orders to use your time as you see fit, and I certainly have a great respect for yourself as a member and for the standing orders, and if you would like to proceed in this mode of discussion rather than getting back to some technical amendments and moving towards, again, an amendment which, by the way, as I indicated, I appreciated, and Mr Mancini indicated that maybe he should be thinking about putting some amendments forward on—

Mr Mancini: I didn't say that.

Mr Owens: Well, yes, you did. Absolutely.

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Mr Tilson: You're calling him a liar.

The Chair: This isn't a private discussion here. It's Mr Tilson's floor and not a discussion with Mr Mancini.

Mr Mancini: I didn't even ask to be invited into his dissertation.

Mr Owens: No. I'm suggesting that Mr Tilson has put forward some amendments on behalf of his Progressive Conservative caucus, beginning again with section 7, which we find some interest in and would like to work with him on and which we would like to move through. However, if Mr Tilson chooses to utilize his time in this manner, then I certainly will respond as best I can throughout the rest of the afternoon.

The Chair: Supplementary, Mr Kwinter.

Mr Kwinter: Yes, Mr Chairman, it's understood that Mr Tilson still has the floor and that I'm just asking a supplementary.

Referring back to Instant Hansard of yesterday, page 1635-1, paragraph 4, the remarks of the parliamentary assistant clearly indicate that he has no idea how the insurance industry works. I just want to quote what he said, and then I'd like to make a comment and I'd like to get his response.

"It's the view of the government that in fact a person's insurance premium should be based on issues of relevance, like driving record. That may be a new concept to the opposition"—which I find very condescending—"but in terms of some of the comments that were heard earlier, it's a reasonable concept that there is no relationship between whether a person happens to be married or not married as to how their driving is going to be conducted. I would suggest that looking at a person's conviction rate, in terms of whether it's moving violations, whether or not he or she has been charged and convicted of impaired driving—these are the kinds of issues that need to be looked at."

The point that I'm going to make is this: If the parliamentary assistant had any concept of how insurance works, he would know that that is a key element in setting a personal driving rate for insurance. Now on top of that, there is a surcharge, and the surcharge is for male single drivers who are under the age of 25. But you should know that not every single driver under the age of 25 pays the same premium.

If a male single driver under the age of 25 is driving a small car that has very little value and he has a safe driving record, his premium will be different from that of the male single driver under 25 who is driving a Corvette, who has had 16 moving violations and has totalled two other cars in his history. They will be totally different rates.

What we are talking about is that there is a surcharge because, as a class, male single drivers under the age of 25 historically and statistically have a far greater rate of accidents than other members of the community who are paying insurance, so to suggest that that is not being taken into consideration now in the way of rating drivers for their insurance premiums is just not correct. That is a key factor, and that is a determinant, plus the surcharge.

I would like to get a response from the parliamentary assistant on that issue.

Mr Owens: I appreciate the question. I am quite aware of the member's background with respect to his involvement with insurance issues. I, however, don't appreciate the lecture that has been delivered. In terms of my awareness, I'm fully aware, both from a consumer perspective as a driver as well as on a ministerial, political level of the factors that go into the rating system with respect to drivers and to auto insurance.

The point I am making in this discussion related to subsections 2(1), (2) and (3) is simply, we are pulling together and codifying and clarifying technical practices that are currently in operation. And Mr Kwinter, your government, you should be aware, under section 121 of the act,

looked at the classes of risk exposure and rate, and we are simply clarifying those sections and again codifying the practice that currently exists. So I'm not sure that this lecture or pursuing yesterday's Instant Hansard is going to be fruitful in terms of the kind of fishing expedition that we seem to be engaging in, rather than some substantive discussion on section 2.

The Chair: Mr Kwinter.

Mr Kwinter: I have no comments.

The Chair: Mr Tilson.

Mr Tilson: How this all got started yesterday afternoon, if you can recall, is that I asked why. Why are we doing this? I had a series of questions, and somehow Mr Owens made the comment, as has been read: "These are issues that we have raised with respect to fairness in the system and we simply are relying on a decision that we view as being directive from the Supreme Court of Canada. If you want to suggest that we ignore the Supreme Court of Canada and continue down the road of discrimination, then perhaps you'd like to move some kind of an amendment, and we will take a look at it."

Now ignoring the fact that this decision was made a year after this bill was introduced—ignoring that fact, which is difficult for all of us to do, but let's ignore it for the moment—my question to Mr Owens is, will Mr Owens point to me in the decision where the directive is from the Supreme Court of Canada to do what they're doing with this philosophy?

Mr Owens: You want a response at this point?

Mr Tilson: Yes, please.

Mr Owens: I take you back to page 1625-3, and if you would like, I can read back the whole section.

Mr Tilson: No, just refer to—

Mr Owens: But I would like to—

Mr Tilson: Mr Chairman—

Mr Owens: Sir, you asked me a question, I am responding to it.

Mr Tilson: Yes, but I don't want to refer it to Hansard. My question, just so you'll know, is that I'd like you to take me to—

Mr Owens: I'm looking back at 1625-3.

Mr Tilson: Mr Owens, can you not take me to the decision, on which we've now spent considerable time? I assume, if you hadn't read it last night, you've had a chance to read it since. Can you tell me where in the decision that you're relying on that the Supreme Court of Canada gave the government of the province of Ontario a directive to put forward the philosophy that you're now putting forward?

Mr Owens: In terms of the process by which this case has proceeded to the Supreme Court, first of all, the governments of the day have been observing the situation closely. In terms of my comments, again I go back to page 353, that in terms of looking at the snapshot of 1983, that in light of the fact that there was not an alternative system, the court was in a position to do nothing more than to rule that in fact the status quo was to be maintained; certainly a

rather large paraphrase on my part, but I certainly hope you won't accuse me of misquoting the Supreme Court.

Mr Tilson: You're referring to page 353—

Mr Owens: May I finish my point, Mr Tilson?

Mr Tilson: —as to where the directive is. Is that what you're telling us?

Mr Owens: Respectfully, sir, you have asked me a question and I am endeavouring to complete an answer. You may not like what you hear, but I am entitled to complete my answer.

Mr Tilson: It's not a matter of not liking what you're saying; it's trying to figure out what you're saying.

Mr Owens: Your rudeness is something that is absolutely amazing.

Mr Tilson: Mr Chairman, that's out of line.

The Chair: I'm sorry. I missed that.

Mr Tilson: I'm going to request a recess. I can't take this any more. This man has been insulting me and Mr Mancini—it goes on down the—

The Chair: Okay. We'll take a 10-minute recess.

Mr Charles Harnick (Willowdale): A point of personal privilege first? I apologize, Mr Chair, for being late this afternoon, but I happen to have had had a commitment in my riding at the Willowdale Middle School. I had some children whom I met there over the lunch-hour.

I understand that my good friend from London made reference to my absence on the record. I wonder if he is entitled to do that under the standing orders. I don't believe he is. I don't believe he's entitled to make reference to me personally.

The Chair: You know, Mr Harnick, I—

Mr Harnick: Let me finish, please.

Furthermore, he will draw the parallel where I noted that none of the government members were in their chairs in Ottawa when we were hearing from the community. Quite frankly, that's a very different matter from the matter that the attendance keeper has decided to draw to the attention of the public today. I would either like him to withdraw those remarks and apologize, or I'd like you to read the standing orders and talk about the idea of drawing one's attention to the absence of any particular member.

The Chair: There's nothing in the standing orders on this, but usually we're gentlemen in here. I was about to go for a recess and discuss this, so it wasn't in Hansard, because I think this is just dirty wash that we're airing out here. And I'm a little upset, Mr Harnick—

Mr Harnick: Well, I'm a little upset when I have commitments in my riding and the member for London—

The Chair: Mr Harnick—

Mr Harnick: —whatever it is, seems to think that what I'm doing is improper. The fact of the matter is that I had a legitimate reason for not being here. I happen to have had a commitment in my riding, and I don't want somebody behind my back making reference to my personally not being here and making the inference that I was out doing something that was improper during a time when I should have been here.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): You should have been here and you'd know that didn't happen.

Mr Harnick: Pardon me?

Mr Johnson: You should have been here and you'd know that didn't happen.

The Chair: This committee's recessed for 20 minutes. The committee recessed at 1502 and resumed at 1528.

The Chair: Mr Tilson, you have the floor after this recess we've just had.

Mr Tilson: Thank you, Mr Chairman. I'd like to direct a few more questions to the parliamentary assistant, if I could, dealing with the risk classification system. Is it the government's intention to eliminate age as an allowable rating factor?

Mr Owens: As is indicated, in section 2, subsections (1), (2) and (3), which is the issue under discussion at this point, we are simply looking at clarifying the practice that exists in the industry to date. I would like to quote, Mr Tilson, starting with subsection 2(1):

"(1) The definition of 'class of risk exposure' in section 1 of the act is repealed.

"(2) The definition of 'rate' in section 1 of the act is amended by striking out 'exposure' in the fourth line."

"(3) Section 1 of the act is amended by adding the following definition:

"'risk classification system', in relation to automobile insurance, means the elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures used for that purpose. ('système de classement des risques')."

For Mr Tilson's edification—and I hope that Mr Tilson is listening quite carefully to this, because this is really the nub or the kernel of the debate under subsections 2(1) and (3) at this point—the current act states, "'class of risk exposure' in relation to automobile insurance, includes all rules, procedures and factors used to determine the rates for each coverage and category of automobile insurance; ('catégorie de risques')."

If you recall, in subsection 2(2) I indicated that the definition of "rate" in section 1 of the act is amended by striking out the word "exposure" in the fourth line. By "rate," we have clearly stated in the current piece of legislation that "'rate', in relation to automobile insurance, means all amounts payable under contracts of automobile insurance for an identified risk exposure whether expressed in dollar terms or in some other manner and includes commissions, surcharges, fees, discounts, rebates and dividends; ('taux')...." So what we are undertaking to do in this section, in terms of a direct response to Mr Tilson's question, is to simply again codify practices and to utilize terms that are already in use within the insurance industry.

This is not a radical departure for a government to be taking. We see it as a recognition that we want to work with the industry to ensure that there is an excellent level of clarity in terms of the legislation. There is to be an excellent level of clarity in terms of the word that has

caused people so much difficulty in the past four days, the word being "regulations." We are certainly looking to work with the industry to set out the manner or the types of variables that will be used.

I think, Mr Tilson, that you have to appreciate—and you've had a number of conversations, as our minister has had, with various representatives of the insurance industry. I certainly hope, out of those conversations, that it's been made clear that it's difficult for insurers to implement these non-discriminatory class plans on their own. We are wanting to work with people to ensure that there is a uniform risk classification so that all consumers are aware of how they are being rated. We want to take some of the mystique and some of the magic out of the process.

I'm sure that when constituents have come to your office and have asked you—"I don't understand this system," they would probably say to you. We've had some imaginary conversations quoted, so I'd like to quote an imaginary conversation that may take place in your office, Mr Tilson.

A constituent would come in and say: "I don't understand this system. I call insurance company A and I get quote A. I call insurance company B and I get quote B. One's higher, one's lower. I may even call a third and a fourth, and there may be some variation in terms of where the rates will end up. In that respect there is not a uniform manner in which these rates are to be determined."

So looking at subsection 2(1) again, that we want to define again the definition of "class of risk exposure" in section 1, we are repealing that. It says, "The definition of 'class of risk exposure' in section 1 of the act is repealed."

Subsection (2), the definition of "rate": For the purposes of this discussion, as I have indicated, "rate," under the current legislation, "in relation to automobile insurance, means all amounts payable under contracts of automobile insurance for an identified risk exposure whether expressed in dollar terms or in some other manner and includes commissions, surcharges, fees, discounts, rebates and dividends," again, the French translation being "taux." I apologize to my francophone colleagues for my pronunciation of the language.

Looking further down to subsection (3), again we are looking at section 1 of the act, amending it by adding the following definition: "'risk classification system', in relation to automobile insurance, means the elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures used for that purpose." Again, the francophone translation: "'système de classement des risques.'"

I think that I've provided this answer on a number of occasions in terms of the section under discussion, which is section 2, subsections (1), (2) and (3).

The member for the Conservative Party, Mr Tilson, I can appreciate, doesn't agree with my response on his question and he's certainly entitled to that disagreement. I appreciate that he wants to express that disagreement. But in terms of the section itself, it's very clear, and in terms of any kind of radical departure from current legislation, looking at "'class of risk exposure,' in relation to automobile

insurance, includes all rules, procedures and factors used to determine the rates for each coverage and category of automobile insurance," we're simply not moving in any kind of radical way to change things.

We have worked with the industry; we will continue to work with the industry, and we have had a good level of cooperation with respect to this request. That's from many, many insurance companies that do business in this province.

So in terms of the response, I am clearly stating again for the purposes of this debate that on subsections 2(1), (2) and (3), I have provided all the answers. I have provided them with clarity and that is certainly my job as the parliamentary assistant to the minister. Providing a simple answer doesn't seem to satisfy the member, but this is a simple section. It's a technical section. It certainly doesn't change in any radical form what is currently in practice within the industry. It doesn't do anything more than move the language contained within the legislation to anything more than what is currently in practice by the automobile insurance industry.

In terms of subsections 2(1), (2) and (3), the section before us does nothing to institute a new classification system. I would suggest that the Chair has allowed—as is his practice because he's a concerned Chair and wants to hear all sides of an issue—some latitude with respect to this question. However, in terms of the functional nature of this clause, which is in fact the issue under debate in subsections 2(1), (2) and (3), in terms of what it does, it simply clarifies and codifies existing practices.

In terms of comments that the minister has made, Mr Charlton has stated publicly that he is interested in looking at a non-discriminatory risk classification system. The minister has also stated that he wishes, and has clearly gone forward, to work with the industry for the benefit of consumers to ensure that there's a good level of consumer protection, to ensure that there's a good level of consumer knowledge, to look at a method of rationalizing the manner in which risks are classified across the industry.

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I think that if you sat down with the constituent whom we had talked about earlier in response to your question about subsections 2(1), (2) and (3), you would have to agree there's no understanding of how risks are assessed, and what we are doing is again adding clarity and codifying existing practices that are currently in use within the industry.

The Chair: Mr Tilson, I see Mr Kormos has his hand up. Will you give him the supplementary?

Mr Tilson: Before he does—

Mr Winninger: Mr Chair—

The Chair: Yes, Mr Winninger.

Mr Winninger: Some of us on the government side have been waiting patiently to speak during these proceedings and it would be very peculiar for someone to just come in the door and be recognized when we've been waiting patiently to be heard.

The Chair: But if he has a supplementary and Mr Tilson allows him to have some time on his floor time, then it's correct.

Mr Tilson: I have no problem with that, Mr Chair. I'd like to hear from Mr Kormos.

The Chair: Do you have a mike there, Mr Kormos?

Mr Peter Kormos (Welland-Thorold): Yes, sir. I, of course, am asking this question pursuant to my rights under the standing orders as a member of this Legislative Assembly, my right to participate in committee process, a right which cannot be hampered except by a majority decision of the committee.

I was aware of the question that Mr Tilson asked, and I realize that he's dealing with section 2, risk classification. Let me put a face on this, Mr Parliamentary Assistant. Let me put a human dimension to this, because I feel somewhat *déjà vu*. I remember the last parliamentary assistant, Mr Ferraro, who is working in the banking industry now, I believe. In any event, similar questions were put to him by me in a similar process dealing with a similar section of a not dissimilar, believe it or not, piece of legislation.

Let me put a human face on this, because I had a constituent, David Ripski, 27 years old, a hardworking young man in good physical condition who was a victim in the end of January 1993 in a motor vehicle accident, a passenger in a single-car accident. The driver of that vehicle was charged under the Highway Traffic Act.

The Chair: Mr Kormos, we're on section 2.

Mr Kormos: That's quite right. We're talking about risk classification. This is the human dimension that sometimes politicians are loathe to deal with.

This young man, injured as he was with several discs between the vertebrae crushed, collapsed, which meant a great deal of pain. He was unable to perform work or most of his regular duties, but it certainly wasn't permanent and serious. He knew he didn't pass the threshold. And it goes to risk classification, because he was terribly concerned—because of course he called me shortly after the accident.

I said: "Well, I suppose you're entitled to the no-fault benefits. I mean, that's what they've been telling me. That's what Rick Ferraro told me and that's what the new parliamentary assistant told me. You're entitled to the no-fault benefits, and notwithstanding that you're unemployed, you're entitled then to the minimum no-fault benefits that unemployed people have in view of the fact that several physicians and doctors have confirmed the nature of your injury, that it will take some significant time for recuperation. When it comes to risk"—

The Chair: Mr Kormos, we're on section 2.

Mr Kormos: I know that.

The Chair: You're not even following section 2.

Mr Klopp: Mr Chair, don't interrupt. You gave him the time; now don't interrupt.

The Chair: We've got to keep on track.

Mr Kormos: We're on track. I'm trying to get this bill back on track.

Mr Klopp: It's Mr Tilson's time. It's all Mr Tilson's time.

Mr Kormos: We've got a young man who was afraid to claim for his no-fault benefit because he said, "What's going to happen?" He said, "My record is going to show that I've made a claim," because he has a vehicle that was up on blocks for the winter. He said, "My record is going to show that I've made a claim and that will put me into a different premium-setting category." I assured him that that isn't what the industry or the parliamentary assistant would say.

It was strange, because his own insurer referred him, of course, to the insurer of the vehicle in which he was a passenger, and that insurer referred him to his parents' insurer, because, after all, he was only 27 years old. You see, nobody wanted to pay the no-faults. But when he finally nailed the company down, when there was some consensus as to which company was liable, Dominion Insurance company simply said: "No way, pal. You're SOL. We're not going to pay no-faults. Fight us. Make us pay them to you. It's \$185 dollars a week? Make us."

Mr Harnick: The minister said they would provide automatic payments.

Mr Kormos: The bizarre thing is that Dominion Insurance, as you know, is a big company. This is just a little person with broken discs now down in Welland, Ontario. I called the Ontario Insurance Commission yesterday seeking help. I got to talk to these voice mailboxes, and I knew the right numbers to call. This poor fellow down in Welland-Thorold doesn't have one of those \$6 Queen's Park telephone books.

Interjection: With all those buttons on the telephone too.

Mr Kormos: He doesn't have a touchtone phone that let's you dial a 1 for this or a 2 for that. He's not even getting his \$185 a week. Why isn't he getting his \$185 a week? Was the insurance industry very specifically trying to persuade him, "You're not going to have to worry about changes in your risk classification because we're not going to pay you anyway"?

Why is this government collaborating with an industry that still doesn't give a tinker's damn about injured people? Why is this government pursuing legislation that constitutes an attack on innocent victims and doesn't even come close to delivering what even the previous government tried to promise about no-fault benefits? What does David Ripski do to get his no-fault benefits from Dominion Insurance, Mr Parliamentary Assistant?

Mr Harnick: Why, there's a worker's adviser.

Mr Owens: As always, I appreciate the colourful presentation by the member for Welland-Thorold. You have placed a specific case in front of this committee. I would appreciate getting more details and we will go forward and get the answer for you.

Mr Kormos: Will you get him his cheques? Will you get him what his rights are in the current legislation, never mind pursuing more so-called rights without any remedies? Will you get him his cheques?

Mr Owens: With the utmost respect due to a colleague, I would suggest that without having the full set of facts

before me, it would be not appropriate for me to answer that question. I'm simply asking for you to give me the germane facts and we will proceed with an investigation.

Mr Kormos: Thank you. I appreciate this opportunity to get some justice for David Ripski from Welland.

The Chair: Mr Harnick, a supplementary?

Mr Harnick: Yes, supplementary. I have a matter that is not unlike the matter that Mr Kormos just talked about, except it deals directly with an assessment of an individual risk in a unique family situation. This is a person by the name of Mr Trest. Mr Trest wanted to appear before the committee, but because we were in such a hurry to blast this legislation through, Mr Trest never got the opportunity. I'd just like to put on the record what he has to say about risk because, again, it puts a human face on the aspect of risk classification that we're talking about here. Here's what he says:

"Dear Sir:

"Re: Ontario Insurance Commission as pussy-cat of the insurance companies, section 5(2)(a) of O.Reg. 275/90. Sixty-year-old retirees under CPP. Right to sue. Misleading advertising by Allstate.

"I wanted to present my opinion before the committee but was told by the clerk, Mr Franco Carrozza, that I am not chosen to do so by the subcommittee. As well, I was not allowed to present my case before the subcommittee on the Ombudsman and I am asking for your help to present my opinion.

"I am 60-year-old disabled coming from the family of the political prisoners, and anti-communists and the behaviour of the NDP has nothing to do with the word 'democratic,' which is in the name of the New Democratic Party of Ontario.

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"My son Saul, who will be 20 years old on March 21, 1993, who is a university student and never got even a parking ticket, does not qualify for occasional driver's rate because of my disability and inability to drive a car. On November 29, 1989, he got the auto insurance from Allstate on behalf of Facility Association, which offered my son third-party liability limits of \$500,000"—

The Chair: Just a minute, point of order.

Ms Haeck: On a point of order, Mr Chairman: I understand the intent of Mr Harnick and I have some sympathy with what he is attempting to do. But by the same token, I think he has to recognize that what he is recounting is a case that has some history and I think he should also be recognizing that this government, with this legislation, which is still obviously in a range of preliminary stages—it is not final legislation—has made a strong effort to rectify the kind of injustices that have occurred in the Facility Association. Whatever has happened under previous legislation, his government and, in turn, the Liberal government, I think it's a little unfair to tar this government with the same brush, because we've made every effort to depopulate the Facility Association.

I do have an additional point to make, which is in fact, as your House leader had as much opportunity as ours to come to an agreement around how this committee would

be structured, I would suggest, sir, that no one's democratic rights were limited.

The Chair: Mr Harnick, you're reading the letter there, it looks like you're supporting Bill 164, so I thought we could get on and vote on section 2 then.

Mr Harnick: I don't have any control on that, but I have a constituent who wanted me to read this into the record. He's asked me to read it into the record.

The Chair: But this isn't the day to read it into the record. We're on section 2 of the bill.

Mr Harnick: Well, let me tell you—

The Chair: Clause-by-clause.

Mr Harnick: If you would let me proceed, you will see that this deals with risk. It's exactly what the letter deals with and it deals with the plight of a senior citizen and his family who have a problem getting auto insurance because of the way the risk is rated. I would hope that you and Ms Haeck, who interrupted me, would at least have the courtesy of listening to a family that has a real difficulty, and hopefully it will tell you what your government should be doing.

The Chair: How long is it?

Mr Harnick: Well, it's a couple of pages.

The Chair: Oh well then, read on, Mr Harnick. Just make a summary of it, if you can, of where it pertains to section 2 of the bill.

Mr Harnick: Let me just finish this first page, so you get the feel of it, and then I'll skip through the balance.

Mr Owens: No. We want to hear the whole thing.

Mr Harnick: Okay. In that case, I'll give you the whole thing then. He got the auto insurance from Allstate on behalf of Facility, "which offered my son third-party liability limits of \$500,000 for a premium of \$2,228, accident benefits for a premium of \$59, comprehensive for a premium of \$198, SEF 44 for a premium of \$4, a total cost of insurance of \$2,489 for a 1984 Plymouth Caravelle purchased for \$4,900, without collision coverage and including driver training discount.

"On January 25, 1990, in my presentation before the legislative committee, I called the proposed no-fault system robbery of the victims in the amount of \$1 billion by the insurance companies and I quoted the statement made before the committee by Catherine McGregor of the Insurance Bureau of Canada: 'Dollars that currently go to prove fault should be kept in place in the victim's hands.'

"I was correct on all points, that with the full approval of OIC, the insurance companies put \$1 billion in their own pockets, but must to correct myself that it was the legalized robbery by the Ontario Insurance Commission.

"On December 20, 1990, you raised the question about Saul's insurance that was increased 30% before the Legislature. Before you spoke, another MPP by irony read a letter from Allstate president J. T. Kelaher, who lost a sense of humour that Ontario auto insurance system is the best in North America, and we do not understand what it has to do to Ontario and Saul's insurance.

"The increase of 30% was instead of a 10% decrease proposed by former David Peterson's government, and Mr

Chiarelli told you to stop trying to fool the people. I saw Mr Chiarelli in his office at the Whitney Block and showed him the documents, because it's hard to believe that the insurance companies are allowed to do such things.

"You did not mention that the premium of weekly benefits by Saul were increased from \$59 to \$889, or 1506%, which is totally absurd. I was forced to purchase for my son the auto insurance, only \$200,000 limit of third-party liability, for a total cost of \$2,591.

"On November 8, 1991, Allstate, as a service carrier of Facility Association, made a renewal offer for \$200,000 limit of third-party liability without collision coverage in amount of \$2,492, which includes Facility Association service fee of \$150.

"On January 11, 1991, for the first time, Donald C. Scott, commissioner of OIC, refused to convene a hearing under sections 372(1)(a) and (b) of the Insurance Act, as this provision applies to classes or categories and not to individual situations. Also, the decision in our case would affect millions of drivers of the province of Ontario."

That's very interesting, because what we're speaking about here are classes and how classes impact on individuals, which is what I gather this case of Bates is all about, and this is putting a human face on it.

"In justification of increase of my son's accident benefits from \$59 to \$889 the OIC in the letter by Faye Chung dated January 24, 1992, refers to section 5(2)(d) of Ontario regulation 275/90, which allowed the OIC to approve as is the rate of the insurance companies which considered my son, as well as all the other drivers in Ontario, as having an income of \$39,000. Also he is full-time student with no income. The insurance company would not have to pay one single penny to myself, as my disability income exceeds \$185 a week, or my son Bernard, who became 16 years old on November 4, 1992, and the combined payments to my son Saul and my 54-year-old wife, Rita, would be only \$370 a week.

"I also have the limited medical coverage from my employer.

"As the section 5(2)(a) of Ontario regulation 275/90, which is a cancer of the Insurance Act, is not removed, the insurance companies will charge my son under Bill 164 as having an income of \$1,000 a week. Also, my family income for a family of four in 1992 was \$14,692.

"When I asked the OIC under freedom of information act to provide with the OIC own documents, it was none to release.

"As you know, Mr Justice Osborne, in his report recommended to punish the lawyers of the victims for making unreasonable claims, which in each case was an actuary report which cost few hundred dollars and usually settled by one portion of it.

"It does not take to be a genius to understand that the OIC should be totally incompetent or insane to approve the junk by the insurance companies, for which was paid hundreds of thousands of dollars.

"In summer of 1992, Donald Scott for the second time refused to order a hearing.

"On October 22, 1991, Allstate made an offer of renewal, including \$200,000 limit of third-party liability in total automobile premium of \$2,591 and on November 8, 1992 changed it to \$2,492.

"On August 31, 1992, Premier of Ontario Bob Rae sent a letter to my son and I quote: 'The Ontario Insurance Commission makes sure the insurance industry follows the Insurance Act and it protects the public from unfair practices.'

"On September 28, 1992, as a result of the help from my beloved Premier Bob Rae, my son received a letter from Mr Jim Fox from OIC which confirms that Allstate offers him standard program policy for a total cost of \$2,541, including third-party liability \$200,000 for \$1,700.

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"On October 30, 1992, Allstate made an offer of renewal at the total cost of \$2,423, including third-party liability of \$500,000 for \$1,662.

"In short, the government of Bob Rae totally lost control over OIC when Allstate changed the name of the Facility Association and continue to charge even more from innocent victims whose parents are sick, divorced or were unable to buy a car before because of low income.

"As this is just a short note of the story, I want to raise shortly only three more questions:

"The proposed Bill 164 does not take into account the changes to the Canada pension plan in 1987 which allowed to retire as early as the age 60 and as late as the age 70. The parody that at the age between 60 and 65 the victim could receive, in the case of disability retirement or disability pension and at the age 65 the disability pension called old age security and retirement and not count as income.

"The right to sue under Bill 164, which could not be separated from the ability to afford a lawyer to fight the insurance company with incomparable resources.

"I survive by miracle at the bus stop eight years ago and was able to find a lawyer who was paid several years after when the case was settled out of court. Under the proposed Bill 164, almost nobody will be able to sue as no lawyer will take the case without being paid, regardless of the result of the case, as it is the first time that the people are allowed to sue only for pain and suffering minus \$15,000. The Bill 164 will totally exclude the people who are presently disabled.

"And the last is that Allstate rating classifications for good driver rate, renewal discount and driver training discount, regardless of age, which some driving schools prescribe as 40% discount. My son's policy never included good driver rate and renewal discount and I have no knowledge how much was my son's driver training discount.

"Propositions:

"1. The government of Ontario should fire Donald Scott for wilful professional misconduct and order the investigation of OIC.

"2. The hearing in my son's case by OIC should be ordered.

"3. The section 372(1)(a)(b) of the Insurance Act should be amended by the word "minister" instead of the word "commissioner."

"4. The section 5(2)(d) of the Ontario Regulation 275/90 should be expunged.

"5. The disabled recipient of Canada pension plan at the age 60 and over in the case of the injury should receive \$185 a week.

"6. The right to sue should apply to the victims who, in the opinion of their doctor, as a result of injury, will have pain and suffering for a period of one or two years or more than two years instead of deduction of \$15,000."

That's what Mr Trest has said, and I don't know whether you'd like me to file this or not, but I think he's quite concerned.

The Chair: You can file it with the clerk there.

Mr Harnick: It's not stapled, but you can go ahead and file that.

The Chair: Okay.

Mr Harnick: I'm not finished.

Mr Owens: I wanted to thank Mr Harnick for—

Mr Harnick: Can I finish for a second?

The Chair: Go ahead.

Mr Harnick: And then it's all yours.

Mr Owens: Absolutely.

Mr Tilson: If you'll recall, it's all mine, but that's okay.

Mr Harnick: You guys can duke it out.

Interjections.

The Chair: Go ahead.

Mr Harnick: I'm not sure what the procedure is in here any more, but Mr Trest is a man on disability income and his whole family income is \$14,000. He's got this son who's 20 years old. His 20-year-old son is the only driver in the family, so the reason he got his licence and the reason his father got the car was so that he could help the family out in terms of driving people around, picking up the groceries, doing those kinds of things.

The problem is that he hasn't been treated fairly by way of risk classification, and quite simply, I don't know what you're doing about it. One can't tell from the act whether this is going to be of any benefit to my constituent or not.

Mr Klopp: It won't hurt.

Mr Harnick: I don't know if it's going to hurt him or if it's going to help him, but what I'd like you to do is to consider the sad story of the Trest family, which was forced because of risk classification into the Facility Association, when all he's doing is driving the car to help the family, and he's got a perfect driving record. You know, all of the indicia that are presently there militate against him.

From what the particular section says, it's not clear what you're going to do. It's not clear what filings are going to be necessary and what standards and criteria are going to be used. You know, it makes it very difficult to argue on behalf of Mr Trest, because I don't know what you people are going to do, and I don't think you've told

us what you're going to do. Trying to pin you down as to what this really means is almost like trying to nail jelly to the wall. I wish I could tell Mr Trest that his son will not have to wait till he's 25 or married or whatever to be helped. Mr Winninger's nodding his head, but I don't know—

Mr Winninger: Yes, because if you got this bill passed, we could help Mr Trest.

Mr Harnick: I don't know upon what basis he says that. The other aspect is that this individual, Mr Trest, has been trying to have a hearing before the board for some time and he keeps being denied. So I merely filed that so that I know that Mr Owens will immediately take this issue up with the powers that be, because he offered that to Mr Kormos.

I filed my details and I just hope you can help Mr Trest out, because the minister has told us in the Legislature that these things should be automatic. I just hope you can make it automatic for Mr Trest.

The Chair: Mr Owens to clarify.

Mr Owens: Exactly. I'd like to begin by thanking Mr Tilson for bringing this, I would suggest, rather sad example of how OMPP works and the compelling reasons why we need to change this legislation. I think that Mr Trest's letter indicates in very clear ways the difficulties with the current system, and Mr Harnick, the member for Willowdale, quite appropriately asked what he can tell his constituent or the writer of this letter.

I would suggest, and this is by way of my own humble suggestion to the member for Willowdale, that he talk to his colleagues in opposition and say: "I have this letter from this individual who is seriously getting shafted under OMPP. We need to move along to take a look at subsections 2(1), (2) and (3) so that we can move through this bill, so that we can address the issues that Mr Trest illustrates in his rather compelling letter."

In terms of his concerns around the issues of the Ontario Insurance Commission, I have certainly heard those concerns and I will certainly take them back to the minister for response. I'm glad that you were given the opportunity to raise the issue on behalf of Mr Trest. Mr Trest is a constituent of yours, Mr Harnick?

Mr Harnick: Yes. You see—

Mr Owens: May I finish my point, please? In terms of you performing your job as a member, I just want to thank you. You have undertaken, in a very serious and compelling manner, to bring to light this rather sad example of what happens to a person, an accident victim, those people that we in this room, from all sides of the House, are clearly concerned about.

We'll certainly take a look at some of the amendments. I guess I need to know, for the purposes of clarification, whether or not these are amendments that are being tabled by the Conservative Party, or are these issues that you would simply like us to look at and respond to in some manner? Are you officially tabling these as your recommendations?

Mr Harnick: I don't know what you're talking about.

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Mr Owens: You read amendments that Mr Trest has—

Mr Harnick: Those are amendments that Mr Trest is suggesting, and I want them considered.

Mr Owens: I'm simply asking you, for the purposes of clarification, as a person who has brought this to our attention. Again, I appreciate the fact that you've done that, because there are some very serious issues here to be concerned with. He has suggested some amendments and I'm asking whether or not your party is supporting these. Can we add these to the list of the three amendments that have come forward so far on behalf of your party?

Mr Harnick: I think, sir, that it would be rather unusual if my party brought forward an amendment in formal terms asking the government of Ontario to fire Donald Scott for wilful professional misconduct and order the investigation of OIC.

Mr Owens: It certainly wouldn't be straying far from the point of—

Mr Harnick: I think it would be rather unusual indeed to place an amendment dealing with Bill 164, indicating that under a new section of Bill 164 Mr Trest's son should be provided with a hearing. I don't think that would be apropos in terms of an amendment.

There's been a suggestion that a regulation or a section of the Insurance Act that isn't even before us today, that would be totally ruled out of order, such as the amendment of section 372 of the Insurance Act, be amended. So I think to ask me to do that, again, shows a total lack of understanding by the parliamentary assistant.

To ask if I'm going to be bringing you an amendment to amend clause 5(2)(d) of Ontario regulation 275/90—you know, of course, that the regulations have been ruled out of bounds here, number one. Number two, when is the last time a parliamentary committee had the opportunity to amend regulations? You won't even put them before us. Now you're asking me if I want to amend them.

Did you want me to bring in an amendment indicating that the disabled recipient of the Canada pension plan at the age of 60 and over, in the case of the injuries, should receive \$185 a week? I mean, that's again in the regulations. You've told us. You wouldn't let us debate the regulations yesterday.

Then: "The right to sue should apply to the victims who, in the opinion of their doctor, as a result of injury, will have pain and suffering for period of one or two years or more than two years instead of deduction of \$15,000." There's no question from what you've heard in the reams and reams of pages of evidence of people who came before this committee, in every location that we went to, that you've got to amend that section dealing with the \$15,000 deductible because it just is not acceptable, yet here we have sat for four days. You've provided us with some amendments, and I can't believe that a government that professes to be responsible—

Mr Owens: We have provided you with many amendments.

Mr Harnick: Let me finish. I let you finish; you're going to let me finish—

Mr Owens: With interruptions.

Mr Harnick: Chairman, do your job, please.

The Chair: Mr Owens.

Mr Harnick: It seems to me inconceivable that after what this government heard, to provide us with the package of amendments that it provided us with two days before the hearings started, amendments that could have been provided long before that, that you haven't even dealt with the most important section dealing with innocent accident victims.

Mr Owens: Just in terms of the—

Mr Harnick: Just let me finish. Chairman, I think you should do your job.

Mr Owens: Are you the co-chair?

Mr Harnick: No, you're the co-chair. That's been the problem here.

The Chair: Mr Harnick, carry on.

Mr Winner: On point of order, Mr Chairman: I was hoping that when Mr Harnick completed his supplementary, there might be time for a government member such as myself to have a supplementary.

Mr Owens: Of course, I would think so.

Mr Harnick: Those are the rules. I don't see why not.

Mr Tilson: As soon as Mr Harnick's finished with his question, I'd like to hear Mr Owens's answer to his question.

Mr Owens: I'll certainly provide it.

Mr Tilson: I haven't heard him give an answer yet to this question. It's a very important question.

Mr Harnick: At any rate, when the parliamentary assistant says to me, am I going to put in an amendment that asks for the firing of Mr Scott, I have to wonder, how can we entrust such an important piece of legislation to his guidance? It just boggles my mind.

At any rate, those are my comments. I just hope that you can do something for my constituent, Mr Trest, that's all. That's the only reason I read this. I read section 2 of the act and I read that it talks about risk, but I don't have any idea what you're going to do.

Mr Tilson: They don't either.

Mr Harnick: Nobody's told us. I've sat here for two days listening to the parliamentary assistant give us a case report on this Supreme Court case dealing with Michael Bates. I haven't heard such theory. We talked about the ratio of the case and we talked about the obiter dicta, and I haven't been so stimulated since I was in law school. I didn't understand it then and I don't understand it today.

I just wish you'd say to us, "Here's what we're going to do dealing with risk," so that the insurance industry would understand, so that Mr Tilson and I would understand, so that Mr Mancini would understand and, even more important than all of us, so that Mr Trest could be able to say, "Boy, all of a sudden, instead of \$2,500 for insurance at the minimum levels, now I can pay \$800 or \$900 like everybody else." Would you believe that this guy

bought a car for \$4,500 and in the last three years he spent more for insurance premiums than the value of the car, and you people won't tell us what it is you're going to do?

Mr Johnson: Happened to me when I was a kid.

Mr Harnick: Well, you're terrific. I mean, Mr Johnson, sometimes, by the remarks you make, I think you're still a kid.

Mr Johnson: I am. Don't I look like a kid?

Mr Harnick: No, you look worse than a kid. You look like a kid who's over the hill.

At any rate, my criticism of this procedure is only that you haven't told us what you're going to do. I've sat here for almost two days talking about this section and I still don't have any idea about your concept of risk, what you're going to do to help people like Mr Trest. I'm sure that the insurance industry finds this frustrating because it doesn't understand what it is you're going to do either. You can keep talking about this case and dissecting the ratio decidendi or the obiter dicta, but doesn't help Mr Trest.

Mr Dadamo: Are those plant names?

Mr Harnick: No. I learned those terms earlier today from Mr Winner.

Mr Winner: Give yourself more credit than that.

Mr Harnick: I was really impressed, actually, because they don't use those terms when I read my law in the Toronto Sun.

Ms Haeck: You might want to change your reading material.

Mr Winner: If only he could get past page 3.

Mr Harnick: It depends on whether you believe in the human element and being attuned to what happens to people or whether you read the theoretical things like the Ontario Human Rights Commission v Zurich and Michael Bates, because quite frankly, you've not told anyone what your concept of risk is, what you're going to do to rate policies and what you're going to do to help people like Ilya Trest and his son Saul. So I'm going to take my leave of you at this stage because—

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Mr Owens: Please don't leave.

Mr Harnick: You want me to stay?

Mr Owens: Absolutely.

Mr Winner: Mr Trest needs you.

Mr Owens: You are his advocate.

The Chair: Okay. Have a good weekend there, Mr Harnick. Mr Tilson.

Mr Owens: I thought I was going to respond to that.

The Chair: Mr Tilson, Mr Winner would like to have a supplementary. You have the floor.

Mr Tilson: A question to Mr Owens, is it, on my question?

The Chair: No. You have the floor. Mr Winner had his hand up for a supplementary, asking your permission, because you have the floor, for a supplementary. That doesn't give him the floor.

Mr Tilson: A supplementary to what? Does he remember what my question was?

The Chair: I think so. It was quite a while ago, but—

Mr Tilson: What is my question? I bet you no one can remember what my question is.

Mr Owens: Is this a test?

Mr Winninger: My question was very similar—

Mr Tilson: No. What was my question that you're asking a supplementary to?

Mr Winninger: I think what you're doing is exploring the whole ambit of section 2 as it relates to risk classification, and the question that I've heard all day was, do we have empirical evidence that would warrant—

Mr Tilson: No, not my question. I'm going to remind the members of the committee what my question was. My question to Mr Owens was, is it his government's intent to eliminate age as an allowable rating factor? That was the question. We heard Mr Owens answer—

Mr Owens: With clarity.

Mr Tilson: —and I don't know whether you—do you have a supplemental question on that point?

Mr Winninger: I'm quite concerned about risk factors subject to age myself—

Mr Tilson: No, no. My question was to eliminate age—

Mr Winninger: —and my supplementary had to do with that.

Mr Tilson: Is it the government's intention to eliminate age as an allowable rating factor? Do you have a supplemental question to that question?

Mr Owens: Absolutely.

Mr Winninger: Yes, because I have a question that's directly related to—

Mr Tilson: To what?

Mr Winninger: —the question you posed, and I thank you for refreshing my memory.

I think it's really helpful that Mr Harnick has come and put a human face on the issues that we've been discussing. Frankly, it wasn't my idea to discuss obiter dicta and ratio decidendi, but Mr Tilson was doing such a good job of dissecting the Zurich and Bates case that I felt stimulated to enter the fray.

I think that all of us elected members have a Mr Trest in our ridings. I can't tell you the number of times that I've telephoned or written to the superintendent of insurance addressing the kinds of very human problems that people experience, and even when I ran in 1987, there was a Mr Trest who was having difficulty getting affordable insurance rates. Frequently, we hear of whole families of new Canadians who are reliant and depending on one particular person to drive them wherever they go, and I think it was very helpful to hear about the Trest family in that they're all relying on a young driver to get them back and forth wherever they have to go who's being charged extremely punitive rates for premiums.

I put it to you, it would be very peculiar, if I were insuring my house, for the agent to say, necessarily, "Well, are you married, and how old are you, and are you male or

female?" if I'm speaking over the phone. Frequently, people call me Mrs Winninger. I think it would be very irrelevant for the insurance agent to ask me questions like that.

Mr Kwinter: Mr Chairman, on a point of order: I've never heard of a house being in collision with another house.

Mr Winninger: That's not a point of order.

Mr Kwinter: It is a point of order. How can you possibly relate one to the other?

Mr Winninger: I was developing my question here.

The Chair: I'm going to overrule there. Let Mr Winninger carry on so he can understand.

Mr Klopp: I've seen trailer homes hit on the highway, actually.

Interjections.

The Chair: Mr Kwinter, this is legal talk between the two lawyers here.

Mr Kwinter: Sorry about that. I'm out of my league when they're talking legal.

Mr Winninger: I'm bringing this down, Mr Chair, to bricks and mortar. What the insurance agent asks me is: "What's your house made of? Is it made of brick? How old is it? How do you heat it?" Questions like that. These are relevant questions to what kind of rates should be imposed on me to insure my house.

Similarly, valid questions around my driving experience—how far I drive to work, how often I drive my vehicle, what kind of vehicle I drive—these are all highly relevant to what kind of premiums should be charged, and that's what risk classification comes down to. It's also proper, I would submit, to ask me how many accidents I've had, how many times I've been charged, because that too is directly relevant to my driver record and what kind of rates should be set in my particular case. So I think the Zurich case is suggesting that we move in that direction.

I know Mr Harnick is working diligently on behalf of his constituent Mr Trest, and there are many things that Mr Harnick would like to see for Mr Trest, many things that Bill 164 offers to Mr Trest. I know, if the truth be known, that Mr Harnick is quite pleased with many aspects of this bill and would like to see them move ahead—the indexation of benefits, the extension of injury to psychological trauma, the increased loss of earnings in weekly benefits—and many other benefits, as a lawyer for accident victims, Mr Harnick would like to see.

Mr Ralph Nader also was of the same mind, and Mr Nader said at the time that OMPP was looming, "Premier Peterson and your party and your government, please change your course before you go down in history in infamy and disgrace."

Mr Tilson: What does Mel Swart say?

Mr Winninger: It took the election of our government to chart a new course to reform the OMPP. It may not be everything that Mr Harnick wants, because he may want—

Ms Haeck: He'd like economic loss.

Mr Winner: Yes, full economic loss, which is permissible for insurance companies to offer as a product under Bill 164. He may want full recourse to tort for pain and suffering, but there has to be some tradeoffs in the form of a deductible in order to pay for what is seen to be very important to accident victims, and that's rehabilitation and long-term care, which don't come cheaply, unfortunately. I could refer extensively to what Dr Trebilcock said on these issues, but I think his message was that there is in fact a balance, there is a tradeoff.

So to come back for a moment to the issue of how we rate premiums for young people or unmarried people, male people, to come back to that, I would put it to the parliamentary assistant that we have to balance the interests of the young and old, male and female, married and unmarried. We have to ensure that criteria which may at one time have determined insurance premiums, but may not in this day and age of equity and fairness, no longer rule the day. We need to look at that, but we can't just do it in isolation. We need to consult with people out there.

I remember in law school many years ago Professor Julius Grey saying that the real power of government is not in the legislation it passes, it's in the regulation-making power, because that's where the real order-in-council power resides.

Mr Tilson: We are not allowed to talk about that. We can't talk about that. You've got to stop talking about regulations.

Mr Winner: Right, but I find it somewhat surprising when a 68-page document is circulated for comment and approval—

Mr Tilson: But you can't talk about it.

The Chair: He's just tying it in.

Mr Winner: I'm not saying "regulation"—a 68-page document which is shared with the public and what the opposition might call special interest groups to determine their reaction, and yet we're assailed as a government because the document is "too long" or "too complex" or, "Is this the exact document that's referred to in section 1 of the act?"

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Mr Tilson: How can it be assailed if you can't even talk about it?

Mr Winner: Frankly, I can't understand why the opposition isn't coming forward and making a positive affirmative response or suggesting some amendments, as Mr Owens just suggested, that can make this act or the 68-page document work better.

The Chair: I'm sorry, but we're not discussing that, Mr Winner.

Mr Winner: No, but I guess what I was hinting on was the balance of interest.

Mr Tilson: Resign, and we'll write the regulations.

Mr Winner: Professor Trebilcock has suggested that our benefits under Bill 164 are extremely generous and very timely, but there are tradeoffs. Similarly, in a risk classification system, if there is so much money in the system, if some people have their premiums redressed

because they're inequitable given their age or marital status or gender, then in order to ensure that the money that's in the system remains, other people will be affected. I can only anticipate that the people in my riding who may have young children, new Canadians, for example, who drive them to work or to school or to their second-language place of education, will approve of the fact—and I do have a very large and growing ethnic community in my riding—that we're reducing the kind of punitive rates that Mr Harnick described and that Mr Trest is experiencing.

I think it's also important to be mindful, and I'm hoping the parliamentary assistant will agree, that any regime that's set up under Bill 164 would have to ensure and guarantee that bad drivers pay higher insurance premiums. I'm firmly convinced that if I go out and drive safely, I'm not driving safely because I'm thinking in the back of my mind, "Well, maybe I'll collide with someone and I'll be sued for tort and 10 years down the road I may have to pay a large judgement with interest." I'm thinking to myself that (a) I don't want to break the law, (b) I don't want to injure myself and (c) these are appropriate rules of the road and I don't want to breach the Highway Traffic Act. I don't want to be charged with criminal negligence and I don't want to wind up in an accident myself.

But I want to drive knowing and being assured that if I am in an accident, whether technically it's my fault or someone else's fault—and everyone's attention can waver, everyone can have a mechanical defect or even a tire that blows and sends them off the road—but if I'm driving and I'm technically at fault and I bash into a car on the other side of the highway, I want to be assured that I will be taken care of; that I will get the rehabilitation and long-term care that I need; that my family will be taken care of; that if I have a source of income, I will continue to enjoy some measure of lost earnings. I put it to you that I would hope that I'm one of the 97% of the populace that this bill would extend to. I would put it to you that's a reasonable balance to ensure that all accident victims are properly taken care of.

I'm a little concerned when I see the opposition wanting, in my view, to hold up the progress of the bill, because I know that every hour there are a number of accidents happening out there on our roads. And even though we may take very progressive measures to make the roads safer and to prevent accidents, I want to know that those victims in those accidents, which happen each and every hour, are going to be better looked after than they are under the existing legislation. Quite frankly, I think that putting a human face on the kind of misery that often follows a motor vehicle accident is a very constructive way to approach some of the issues that arise under Bill 164.

So my supplementary to Mr Owens will be: Do you not think that, given your experience and the nature of your constituency, moving towards a uniform classification system while at the same time considering other measures for road safety will bring down insurance rates that are unreasonably high right now for people such as Mr Trest?

Mr Owens: I'd like to thank the member for his very direct and very cogent question. You've raised a number of issues that the government is concerned about in terms of

the risk classification system, and I think you would agree with me that in terms of the way we would be wanting to proceed in this process is first of all to bring our attention to subsections 2(1), (2) and (3).

In terms of how that reads, section 2 looks something like this:

"(1) The definition of 'class of risk exposure' in section 1 of the act is repealed.

"(2) The definition of 'rate' in section 1 of the act is amended by striking out 'exposure' in the fourth line.

"(3) Section 1 of the act is amended by adding the following definition:

"'risk classification system,' in relation to automobile insurance, means the elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures used for that purpose."

I'm extremely pleased that Mr Winninger's question has come forward, and I was just as pleased to have Mr Harnick represent his constituent Mr Trest and bring what appears in our view to be a very clear example of the unfairness under the current regime and the even more compelling need to change it.

One of the issues that you addressed—I'm sure I heard you address that—was with respect to rates, and it appears that Mr Trest's son was sent into the Facility Association and was paying extremely high rates. As you, Mr Winninger, and other members around this room were aware, many, many people, irrespective of the risk that they posed to the insurance system, were simply put into the Facility Association.

Because you're an effective member and you do your homework and in terms of being a learned counsel, you're also aware that on January 1, the depopulation of the Facility Association began to take place.

Mr Harnick asked and I guess your question is related to—what's the phrase we're using, "tied in"? Your question is tied in to the supplementary question that Mr Harnick posed through his reading of Mr Trest's letter. As I say, on January 1, the depopulation of the Facility Association began and will continue in that there will be an opportunity to take a look at those who truly belong in the Facility Association as part of their driving experience. As of January 1, when the new regulation took place—again, it addresses the supplementary question with respect to rates, which is clearly related to subsections 2(1), (2) and (3) that clean risks will no longer be eligible for the Facility Association.

I think you addressed the fairness issue, again, in very cogent terms. I, like you, represent a riding that's multi-cultural in nature, and in terms of the older definitions, the more traditional definitions that have been utilized by the industry, I think there has certainly been change in the society. There is no longer a tolerance for the kinds of discrimination that have taken place in the past in terms of how people are treated, whether it's by insurance companies or any other groups, so your comments are thoughtful and they address an issue that the government, of which you are a very able member, is attempting to address in this—if I may pause for a sip of water.

1640

Mr Winninger: The feelings are mutual.

Mr Tilson: What a way to end this committee.

Mr Owens: In terms of the section under discussion, and because Mr Winninger's supplementary is tied in to the supplementary question which was, of course, tied into Mr Tilson's time, I didn't have an opportunity to thank Mr Harnick for laying out in response to a question of mine the responsibilities of an MPP and what would happen if regulations were moved in this committee, which clearly provided the lack of historical precedent for the discussion of regulations in committee. I thought that was quite thoughtful.

Mr Mancini: Can't talk about the regs.

Mr Owens: You're right, we can't talk about the regs, and Mr Harnick certainly provided historical context for us to live comfortably with that decision.

In closing, Mr Winninger, again I want to thank you for your question. You've touched on many important points; the necessity for us to move forward, to address the concerns of Mr Trest and many accident victims who will fall into this system. I expressed this concern a day or two ago, that while we had spent nine and a half hours on section 1 debating merely a technical issue with respect to a name change, more people have fallen into the situation of the Facility Association notwithstanding. As you're aware, we've developed regulations and the depopulation of the Facility Association began on January 1, but many, many people, perhaps through no fault of their own, have fallen into the—I guess the term was "the ambit" of what currently exists with respect to the class of risk exposure, which in fact would certainly have an influence on rates.

Mr Tilson made a comment which of course was tied into your supplementary, which was tied into Mr Harnick's supplementary, which was tied into Mr Tilson's time with respect to, "What a way to end the hearings." I'd like to concur with that, Mr Tilson, in saying that in the 15 minutes that we have left in these hearings, it causes me some concern that we haven't been able to go forward to help the constituents of his colleagues, like Mr Trest, so that future accident victims won't have to go through the kinds of problems that Mr Trest's son has had to experience.

Mr Tilson has brought forward amendments that we clearly wanted to have an opportunity to deal with. The Liberal Party appears to be totally happy with the Ontario motorist protection plan and didn't offer any amendments to this process. So I want to concur with Mr Tilson's comment, "What a way to end the hearings." We could have done some good work here today; we could have done some good work on Wednesday; we could have done some good work on Tuesday; we could have done some good work on Monday. We could have started the process to alleviate the kinds of difficulties that have occurred. We could have started to ensure that people would no longer have to face the cap on long-term care, in terms of the \$500,000 cap, which leaves the most catastrophically injured in our society vulnerable to the system.

Mr Mancini: He's talking about the regs now, Mr Chair.

Mr Owens: Mr Winninger, I would guess, is a person who is concerned about people. Having had an active law practice prior to coming to this Legislature, you probably—

Mr Tilson: He'll probably give you flowers at the end of the day; maybe even candy.

Mr Owens: —you probably dealt with people who would have been helped by this legislation, and you came here this week to advocate on behalf of those people. We have only been able to get to Subsection 2(1), (2) and (3); we weren't able to get through the potentially 10 technical sections, merely name changes, clarifications. We weren't able to deal with the amendments, such as the amendment to section 7 that Mr Tilson proposed. We told him we were interested in dealing with that. We think it's a good suggestion. We wanted to work with the Conservative Party; we wanted to get that amendment out on to the floor so that we could deal with it in a manner that Mr Tilson feels is appropriate. And we urged him—we asked him, we begged him—to talk to his colleagues. "Please, we want to move through this process."

I want to conclude my remarks, Mr Chair, in response to Mr Winninger's supplementary question, which was a supplementary question on Mr Harnick's supplementary, which was tied in to Mr Tilson's time, in saying that it's now almost 4:50. We have just over 10 minutes of the clock left to deal with some extremely important issues, clauses that would help victims who, as we sit here debating this section, are going to need subsections 2(1), (2) and (3) to ensure that their risk classification is dealt with in a fair manner and, if we are able to move on, to ensure that victims receive fair and equitable treatment under this legislation.

The Chair: Mr Tilson. Supplementary, Mr Mancini—or do you want to yield the floor yet?

Mr Tilson: Well, no. The original question, of course, I asked was on the government's intent to eliminate age as an allowable rating factor. I think it's wonderful that the question has stimulated all the questions that have come forward, and I'd be pleased to hear from Mr Mancini on a further supplementary question.

Mr Mancini: The first thing I want to say is that given the lengthy and interesting answer that we received from the parliamentary assistant, I hope the minister's staff was listening to the parliamentary assistant's answer, and I hope that ties in to that private conversation we had earlier on, because that's been one of the problems from day one on this committee.

In regard to Mr Winninger, sir, I don't know, the next time I meet you in the hallway, if I'm going to have to bow or genuflect. I want to congratulate you for having made such a profound impact on the parliamentary assistant. I knew prior to all of the accolades that you received from him that you are in fact not just one of the ordinary members of the House but something more than that.

Mr Winninger: I speak highly of you as well.

Mr Mancini: I think you're going to be one of the next ministers without portfolio. I mean, after this, how can you be held back?

Mr Winninger: I'd rather have the portfolio.

Mr Mancini: I'd like to get back to Mr Tilson's supplementary question, but before I do, I want to make one other comment. Some members of the government have now been saying that woe is the public because we've not saluted and adhered to the government's request to immediately pass Bill 164. It wasn't our decision for you people to delay hearings till January. That was a government decision that was made based on whatever information you received. The hearings could have been held earlier if that's how strongly you feel that Bill 164 should have been passed. It wasn't our decision for you to take two years to decide to go this route; that was your decision. You could have gone this route your first 30 days in office. So don't give us that song and dance that because we don't want to have thorough debate on Bill 164, woe is the public.

1650

The other point I'd like to make—and please go through all of these presentations that we've had—is that the majority of these people have said, "If we had our choices between OMPP and Bill 164, we'll take OMPP." Your last comment to the parliamentary assistant, Mr Winninger, was something about a uniform classification system. That's exactly what I spent a lot of time talking about yesterday, and we couldn't get an answer from the parliamentary assistant.

I tried to raise the issue on behalf of 1,000 senior citizens' clubs in Ontario, and the senior citizens' organizations, representing over 380,000 seniors. I begged the government to respond as to how we would be able to improve the lifestyle of senior citizens by charging them more. I wanted to know that.

I also wanted to know, if that in fact was not going to be the case—please put it on the record, somebody; yourself, Mr Winninger, or Ms Haeck or the parliamentary assistant. Somebody put it on the record very clearly that Bill 164 will not do these seniors any financial harm. If you're so confident that this uniform rate classification system is the way to go and you're confident that it's going to be accepted and you've made the fundamental decision that that is the direction the government is going, please have the courage to say to the thousands of seniors and their organizations: "This will not adversely affect you financially. Mr Mancini may have raised some points, Mr Tilson may have raised some points and Mr Kwinter may have raised some points, but they're all wrong, and as a government it's our policy, it's our commitment to you as seniors that we're not going to allow the uniform classification system to jack up your automobile insurance rates."

That's all we're waiting to hear. If that's the case, tell us that, and we can go on to section 3. But you've refused to tell us that. At the same time, you've refused to tell us that the uniform classification system—the words that you used in your last comments to the parliamentary assistant—tell us it's not going to adversely affect women, who traditionally and to this day still earn less than their male counterparts and who don't have the spare change to pay extra for their automobile insurance.

I begged the committee; I gave the committee innumerable examples yesterday afternoon of what the real-life implications would be for homes headed up by single parents. Nobody said to me or to anybody else on this committee: "Well, that's a good point, and you know, I'm glad you raised it because it gives us as a government the opportunity to say that the people you've just talked about are not going to be adversely affected financially. I'm glad you raised it because it gives our government a chance to clear the air on this matter." No one has said that.

We've just skirted the issue. We've heard a lot of answers about a lot of things. But why can't someone on the government side say to these millions of people, seniors and women who are going to be adversely affected, I believe, that Mancini is wrong? Why can't somebody say that and make a commitment that it won't happen? If you can do that, I'm sure that will eliminate the main stumbling block on section 2. That is the stumbling block, and it's not technical in nature. I don't accept the parliamentary assistant's description that this section is technical in nature.

So say clearly that it's the government's policy that seniors and women won't be hammered through increases in their automobile insurance rates and let's get on with it. I'd like an answer to those questions, Mr Chairman.

The Chair: From me?

Mr Mancini: Through you to the parliamentary assistant.

The Chair: Well, we've got five minutes. Mr Owens.

Mr Owens: I thought, Mr Hansen, you've been doing so well over these hearings to provide answers for people that you might like to take a shot at this one as well.

Mr Tilson: No discrimination here. He takes shots at the chairman too. Takes shots at everybody.

Mr Owens: I hear the rumbling from Mr Tilson again, and I'm being interrupted.

Mr Mancini asks a question that has been answered in many different ways over two days in terms of this section. Mr Mancini chooses not to believe that it is a technical section, and I have a firm belief that I don't have the authority to challenge people's reality. Mr Mancini believes what he wants to believe.

I want to repeat that subsections 2(1), (2) and (3) simply act as a clarification and a codification of existing practices within the industry. It does nothing to set up a new classification system.

There have been insinuations that I have misled the committee in terms of the reasoning, and I still stand behind my comments. I stand behind my response to Mr Mancini and Mr Tilson in terms of the purpose behind subsections 2(1), (2) and (3).

I think it is very difficult to operate in an environment where a member is asked a question and to the best of his ability and with the utmost honesty goes forward and answers a question that clearly sets out the purpose behind a section and yet is accused of misleading the committee, is told that he has been unhelpful, is told that he knows nothing. I find that a little bit difficult to take and I am not quite sure how it relates to subsections 2(1), (2) and (3). That again is a technical section.

The Chair: Mr Owens, we discussed that earlier.

Mr Mancini: Mr Chairman, did you understand my question, sir?

Mr Tilson: Very touchy.

Mr Mancini: Did you understand my question? I'd like to know, because—

The Chair: We've got one minute.

Mr Mancini: I want to know from you, Mr Chair, if you understood my question.

The Chair: Yes, I did.

Mr Mancini: Did you understand my question to be very straightforward? All I wanted to know from the parliamentary assistant was whether or not Bill 164 was going to raise the rates of seniors and women because of this classification system. Surely he could say, sir—

Mr Owens: The classification system has not been set up.

Mr Mancini: —that yes, it is, or no, it won't. He hasn't even come close, or he doesn't know. That's fair.

Mr Owens: The classification system has not yet been set up. It is not set up under subsection 2(1), (2) and (3).

Mr Mancini: It's not yet been set up.

The Chair: I'm just going to ask Mr Tilson, there's one minute left; is there something you want to bring forward?

Mr Tilson: Yes. There was a presentation given some time ago by State Farm on this topic. It's a brief statement and I'd like to present it because I think it adequately expresses the concerns—

The Chair: One minute.

Mr Tilson: —of all of the people of this province:

"Bill 164 proposes to impose a uniform classification system upon auto insurance in Ontario. It further proposes to eliminate age, sex and marital status as rating factors to be used in the pricing of auto insurance in Ontario.

"This classification system will result in unjustified rate increases for many consumers, reduce fairness and equity of auto insurance premiums, generate many complaints from consumers, reduce competition for the resulting underpriced risks, increase administrative expenses.

"This system is fundamentally unfair. It would have a substantial and deleterious effect upon certain types of drivers, particularly women and senior citizens.

"The government's policy paper, *The Road Ahead*, was released at the time of the introduction of Bill 164. It stated that a uniform classification system was a goal of Bill 164. None the less, the Mercer study, commissioned by the government, failed to address the significant cost increase that would be imposed upon consumers as a result of this change.

"Exhibit 5 of this State Farm brief on Bill 164 is a graphic demonstration of why the uniform class system should not be implemented in Bill 164. In addition to the rate increases upon females and senior citizens, other criticisms of a uniform class plan includes divergence from equitable, actuarially sound rate-making for all classes of drivers. The cross-subsidization of certain insurance risks inevitably would tend to result in a construction of the

market for those types of drivers such as youthful males in the Toronto metropolitan area.

"A uniform classification system is not more fair or more equitable than the current system of classifying risks. It is, in fact, just the opposite. The costs"—

The Chair: Mr Tilson. We're two minutes over as it is now. I thought it was very short.

Mr Tilson: I have one more sentence, Mr Chairman.

"The cost of insurance should follow the lost costs generated by a particular type of risk. To substantially change the system of risk classification at this juncture is especially onerous upon women and senior citizens."

Mr Chairman, I have a lot more to say about this topic, and I don't know how you're going to propose to allow me to do that.

The Chair: Well, that would be up to the House leaders.

Mr Mancini: I'd like to make a motion that we sit tomorrow in the morning and afternoon. I would so move.

Interjection: Agreed.

Mr Mancini: I'd like a recorded vote.

The Chair: Recorded vote, whether we sit tomorrow. The motion is on the floor whether we sit tomorrow.

Mr Tilson: There's a lot more work to do on this bill.

Mr Owens: I strongly oppose that motion.

The Chair: All those in favour?

Mr Tilson: I'd like to speak on that motion.

Mr Klopp: Call the question.

The Chair: Call the question. All those in favour?

Ayes

Kwinter, Mancini, Tilson.

Clerk pro tem: Three.

The Chair: All those opposed?

Nays

Haeck, Johnson, Klopp, Owens, Winner.

Clerk pro tem: Defeated, Mr Chair.

The Chair: The motion is defeated.

This committee is adjourned. We'll see Mr Kwinter and Mr Johnson on Monday at 2 o'clock in room 151.

The committee adjourned at 1703.

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

***Chair / Président:** Hansen, Ron (Lincoln ND)

***Acting Chair / Président suppléant:** Klopp, Paul (Huron ND)

Vice-Chair / Vice-Président: Sutherland, Kimble (Oxford ND)

Caplan, Elinor (Oriole L)

Carr, Gary (Oakville South/-Sud PC)

Christopherson, David (Hamilton Centre ND)

Jamison, Norm (Norfolk ND)

***Kwinter, Monte** (Wilson Heights L)

Phillips, Gerry (Scarborough-Agincourt L)

Sterling, Norman W. (Carleton PC)

Ward, Brad (Brantford ND)

Wiseman, Jim (Durham West/-Ouest ND)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

Dadamo, George (Windsor-Sandwich ND) for Mr Ward

Daigeler, Hans (Nepean L) for Mr Phillips

Haeck, Christel (St Catharines-Brock ND) for Ms Ward

Harnick, Charles (Willowdale PC) for Mr Sterling

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Christopherson

Klopp, Paul (Huron ND) for Mr Jamison

Mancini, Remo (Essex South/-Sud L) for Mrs Caplan

Owens, Stephen (Scarborough Centre ND) for Mr Sutherland

Tilson, David (Dufferin-Peel PC) for Mr Carr

Winninger, David (London South/-Sud ND) for Mr Wiseman

Also taking part / Autres participants et participantes:

Kormos, Peter (Welland-Thorold ND)

Owens, Stephen, parliamentary assistant to the minister responsible for automobile insurance review

Simons, Craig, legal counsel, automobile insurance review, Management Board of Cabinet

Clerk pro tem / Greffier par intérim: Carrozza, Franco

Staff / Personnel: Beecroft, Doug, legislative counsel

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Monday 22 February 1993

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Pre-budget consultations

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Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Lundi 22 février 1993

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Consultations prébudgétaires

Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 22 February 1993

The committee met at 1403 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr Ron Hansen): Before we get started, I'll read into the record:

"The standing committee on finance and economic affairs, report of the subcommittee:

"Your subcommittee met on Monday 15 February, 1993, and recommends the following with respect to report writing and pre-budget consultations for 1993.

"1. That individuals be allotted half an hour for their presentations.

"2. That the Chair be authorized to pay expenses for a witness from Thunder Bay who requested reimbursement for travel and accommodation. That further requests for reimbursement of witnesses' expenses be brought to the attention of the subcommittee.

"3. That ministry staff be invited to appear before the committee on Tuesday 9 March, 1993, if the need arises, to answer questions of the members.

"4. That the researcher will prepare an outline for the report to be considered at the committee meeting Wednesday 10 March, 1993.

"5. That the committee agree to provide the Minister of Finance with a confidential copy of the draft English report as soon following the completion of the report as possible.

"6. That the Chair be authorized to make any minor technical amendments necessary to the report before being sent to the printers."

Is there any discussion on the report? Can someone move that the report be adopted?

Mr Gary Carr (Oakville South): I will.

The Chair: Mr Carr. All in favour? Agreed? Passed.

PRE-BUDGET CONSULTATIONS

MINISTRY OF FINANCE

The Chair: We'll resume the pre-budget consultations for the standing committee on finance and economic affairs. I'd like to welcome the Treasurer of Ontario, the Honourable Floyd Laughren. We have one hour for your presentation and your ministry staff. Treasurer, if you don't mind identifying your colleagues with you and any other colleagues who come forward, if they would identify themselves for the purposes of Hansard. Mr Treasurer, you have the floor.

Hon Floyd Laughren (Minister of Finance): Thank you very much. Despite what you might think, I'm glad to be back before the committee. With me at the table today is David Trick who's the assistant deputy minister for the budget secretariat. That doesn't tell you what it is; I think the title speaks for itself. He does a lot of the work heading

into the budget and all the ramifications that flow from that. Also at the table is Jay Kaufman, the deputy minister who is secretary of the treasury board and has been since its inception. Eleanor Clitheroe is the deputy minister for treasury and economics, or Ministry of Finance as we now say. There are other people in the room who will be happy to answer questions when I can't.

I am pleased to be here, as I said. I regretted the misunderstanding after the last meeting because I don't think it was intentional on anybody's part, but those kinds of misunderstandings don't serve us and I hope we can avoid those in the future. We are here for two hours this afternoon. It's our understanding, and I believe it's yours, that I'll go through a presentation that lays out some of the economic challenges we face as well as the fiscal challenges for this year and next. With your permission, I'll proceed with that.

The Chair: Okay, Mr Treasurer.

Hon Mr Laughren: The first slide—I don't know how well everybody's going to be able to see the screen, but the paper you have in front of you is the slides as well; it's what's on the screen and I think everybody has that. Please refer to that if you wish.

The economy, as everyone is telling us and telling you, is recovering. It's a somewhat fragile recovery, although we think it's real, but it's going to be very slow. Revenues consistently are our problem and the revenue gap for next year is even more of a problem than it was the last time I was here. We now see it as up around \$5.8 billion higher than we anticipated in our budget a year ago.

There's no question that the federal transfer payments are taking a serious toll on the province. We know we should be entitled this year to about \$4.4 billion more than we're getting. If the previous commitments were still being honoured for post-secondary education, for social assistance and for health care, next year it will be a little higher than that; it will be around \$4.5 billion that we'll be short.

From our side of the street we've taken steps to rein in the expenditure growth while maintaining the essential services. Some of you will recall that in the budget last year we said we had three priorities: to maintain the essential services of the province; to do some job creation on behalf of the province; and thirdly, to keep the deficit in check. It's been a real struggle to achieve those three things, but we've tried as best we can to do that. It wouldn't be hard to do two of them if we didn't worry about maintaining the essential services of this province, which people tell us is important.

We are investing in infrastructure, as you know, through our capital program, but at the same time we know there are some difficult decisions that are going to have to be made for the budget coming up and, indeed,

there are even some risks for the balance of this year on the revenue side.

In the third quarter finances we detailed what the risks were. There could be more, because it's that kind of year. We'll see how it all shakes down at the end, but we're determined to do as much as we can on the expenditure side. The revenue side—once they start to deteriorate, which they have this year, there's not much you can do about it in year; you can work away on the expenditures. I'll provide more details of that as we go, but there's not a lot you can do on a revenue side unless you somehow raise taxes in year or effect some dramatic asset sales in year. That's not always easy to do. As well, you don't want to simply sell assets in a fire sale way to achieve numbers; there are better ways of doing it.

But we are going to continue to work very hard on the expenditure management side. We've done, I think, an admirable job on the expenditure side. If revenues had stayed up, I think there'd be a lot of comments extended to us that we'd really done a good job on the expenditure side. With the revenues doing what they're doing to us, it sort of blows our attempts on the expenditure side out of the water because of the very serious revenue problems. So we're going to continue to work hard on the expenditure side.

1410

In terms of the economy itself, this chart shows the real gross domestic product for Ontario and for Canada. The solid line is Ontario and the dotted line is Canada. You can see Ontario dropped faster and further than did the rest of the country with its GDP. I suspect a lot of that's because the manufacturing heartland is in Ontario and that's what got hit the hardest in this recession. As we climb out of it in 1992, 1993 and 1994, we parallel more closely the recovery in the rest of the country.

We know one thing that caused the plummeting as well was probably the speculative excesses that occurred, particularly in real estate in the Toronto area in the late 1980s and the beginning of the 1990s. At the same time, the good news is that the recovery has started. The US economy is improving. Ontario manufacturing shipments and exports are up and we've actually regained about 85,000 jobs since last August. There's no question that the recovery has started but, as I said before, it's tough and the recovery is slow. We believe the recovery is going to be led by the exports, with autos in particular, housing and with a lot of investment in machinery, which improves productivity in the province.

Just to put it in context of major layoffs in the province, if you compare it to the recession of 10 years ago, you'll notice on the chart that it's divided into two sections: One is when a company reduces operations and the other is when it either completely closes or partially closes right down. In 1981-82 you can see the lightly shaded area shows that there was a very substantial reduced operations component of the layoffs, whereas in this recession it's the partial and complete closures. As a matter of fact, the numbers are that, in the last recession 10 years ago, about 25% of all the layoffs were deemed to be permanent. This time it's about 65%, which means that the recovery is going to

be slower, of course, because they're not just temporary closures—that the companies will start up again.

The 70% of the layoffs that have been reported have been in manufacturing and over 70% have been in central Ontario. That's no secret to those of you who represent constituencies in the Metropolitan Toronto area. Men between the ages of 25 and 44 without a high school diploma have been the hardest hit and that's going to continue to be a problem in the foreseeable future. The problem is that the laid-off workers do not have the skills the new economy is going to require, so we have to continue to spend a lot of money and invest a lot in skills training and retraining, because to do otherwise would simply, I think, make the matter worse as we go ahead.

The next slide shows the job creation by occupation in the last 10 years. You can see that leading it is managerial, professional, some clerical and services, but you see some negative too: the primary industries, processing, construction up some, transportation, very, very little materials handling as well—so actual negative numbers in the processing and primary. We know that nearly half of the employment growth is going to be in the managerial and professional jobs area which reinforces what I was saying about the need to continue to invest in training. There are people who say, "Well, what's the sense of training people when there are no jobs out there?" There are going to be jobs out there and they're going to be in areas that require skills, and either we train those people or they'll be forever on unemployment.

The Ontario employment and unemployment rate: You'll see that the rate is the solid line going up, starting back in 1990, and how the unemployment rate's gone up. The unemployment rate is on the right-hand side, over 10%, and the actual employment in millions is in the bar graph. You can see how the unemployment rate has gone up so dramatically and is going down so slowly, and that is a problem. Our unemployment for 1992 averaged 10.8%—that's 572,000 in the province—and it's going to stay high, we think, between 8% and 10.5% until about 1996. So unemployment is going to remain high.

On the positive side, there has been positive job creation for five straight months, which shows on the bar graph there. So at least it's a sign that it's not just a one-month blip; that's occurred for five straight months.

What's not built into those numbers is the discouraged-worker component or factor, because in a recession people do give up looking for work. As the recession ends and recovery gets under way a lot of people will come back into applying for jobs. Of course, when they apply, then up goes the unemployment rate, so the rate will remain high even though employment itself might be growing because the discouraged workers get back into employment seeking as they no longer feel so discouraged and have some hope that they'll be able to get jobs. But it means that the unemployment rate will remain high and will decline very slowly.

The next chart is an interesting one. It shows the recoveries from recession in Ontario since 1955, almost 40 years. The shaded area shows that the real GDP growth has averaged 5.1% in those recoveries after recessions. For

the next three years, 1992 to 1996, it's only going to be 3.6%. The employment growth averaged 3% in previous recoveries. It's only going to average a little more than half of that, 1.7%. Labour productivity averaged 2.1% and it's going to be almost that at 1.9%. But labour productivity, as you would know, doesn't always mean more employment. In the short run it can mean less employment as factories and so forth become more productive. In the long haul, it's important to have that productivity but it doesn't give you a real burst of employment as productivity increases.

Looking at the various sectors for the next four years, this chart shows the average annual per-cent growth in key sectors. You'll see that for non-residential construction there's still a lot of excess capacity that's going to be negative for the next four years and then increasing in the other sectors there, virtually all of those sectors increasing.

But look where the big growth is—business investment, residential, construction, automotive related, which I mentioned earlier, business and financial services, and so forth will be the growth area. Industrial materials and resources, which affect communities, such as the one where I live, will be fairly low at under 2%, and the public sector is expected to show a little growth, since all governments will be trying very hard to improve efficiency and contain their expenditures. The expenditure growth by government will be marginal in the next four years.

To get specifically into the Ontario outlook, for 1992 in the budget you'll see the left-hand column is what we predicted in the budget. In October, we altered a bit the numbers from the budget. The nominal growth being lower because inflation's lower than we or anybody else predicted this year. CPI inflation, you can see there, instead of being 2%, 1.4%—and, as a matter of fact, we now think it's about 1.1%, so it's even lower again. The unemployment rate, which is disturbing, is a full point higher than we thought—or anybody else for that matter—it would be back in the spring, so that's a problem. That's 1992.

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For 1993, you can see that the numbers look better. Real growth, we believe, will be 3.8%, external forecasts—that's really the average of other people's forecasts—slightly less. Nominal growth, which means with inflation still in it, 5.5%. CPI about 2% for next year; others say it will be up around 2.2%. Employment growth 2.1%; others say 1.3%. The unemployment rate we think will be 10.6% and the average of other forecasts a little higher than that, around 11%.

The next slide shows the nominal GDP and revenue growth. You can see how revenues came down very, very dramatically in 1991-92 and then are going up, but at the same time going up and then levelling off. The white bar at the top is sort of a forecasted range of what revenues will be. The revenue growth includes things such as potential tax increases and so forth, so it's not just a status quo number. But even though in the last couple of years there's been some tax increases—both the last two budgets contained substantial tax increases; they didn't set records for the province, but substantial tax increases—and even

given that, look what's happened to our revenues. You can see that really has been a very serious problem for us.

The next slide shows the revenue outlook for this year and what's happened to it. You'll notice, if you go to the far right-hand column right on the bottom, \$1.6 billion—\$1,595 million. You can see that breaks down to where the hits have been on the revenue side. Personal income tax \$300 million; retail sales tax \$475 million and so forth—you can all read those numbers as well as I—all the way down to the bottom of \$1.6 billion.

I can tell you that even on the personal income tax side, we thought we were being very conservative in our forecasts for PIT revenue, and we get some advice or some forecasts from the federal government because they, of course, collect the PIT. We reduced their estimate of what our PIT would be by, I think, \$1.8 billion—in that neighbourhood—from what they thought we were going to get, so we took quite a hit right up front. We said, "No, we think that's overly optimistic," and even then it's not enough. PIT has been a major problem and then, of course, the retail sales tax.

What's interesting about the retail sales tax is we all read those stories, or saw those stories on TV, about the boom in Christmas sales. Well, maybe the boom was in Christmas sales, but it wasn't in sales taxes. Also, of course, it could be goods in particular that weren't high-priced items that would give us the substantial tax revenues, so retail sales tax is off by that amount. That's been our major problem.

We have not included in here either SkyDome or GO Transit. It's conceivable that it could happen, but we think at this point we don't want the sense that we have to do it this year to affect the negotiations for one thing, so we're just taking them off and saying—there's no reason to believe they both won't happen, by the way. We've signed off on the SkyDome and the purchasing folks are sorting out some arrangements and differences among themselves. It's not us who are the problem here. I really do think it will happen, but I didn't think it was appropriate to push it for this fiscal year. That's the revenue side.

The next is simply putting it in graph form which shows, going back to 1984-85, how revenues were just sailing along, going up, and would warm the heart of any Treasurer of the day, and I'm sure it did. Then you can see how it takes a drop, starting in 1991 and then coming up very slowly after that.

On the next slide it looks at the different revenues. Corporation tax from 1984-85, you can see, goes up and then down very flat. Retail sales tax, same thing, and personal income tax as well, so it's no surprise. It really has been the source of much of our woes.

The total revenues from all our taxes next year would be \$2 billion lower than they were in 1990-91, just to put it in perspective, and that's how severe the recession has been. All that push on the revenue side has happened when there's been enormous pressures on the social assistance side, as you all know, and on the money for retraining of displaced workers. Enrolment in our colleges was up last year between 8% and 10%, as I recall, and universities have been up as well, and up again this year. Those areas

are very hard to cut back on at a time of recession; that's been our problem.

The next slide shows the revenue outlook that was in the budget for April 1992—a year ago—the November outlook and the current outlook for PIT, RST and so forth, all the way down to the bottom. If you look at the budget for April 1992, the number was \$48 billion in revenues. We said in November it's going to be closer to \$43.8 billion, and now we're saying no, it's going to be closer to \$42.2 billion. The difference between \$42.2 billion and \$48 billion is \$5.8 billion, and I think on one of the first slides I showed you the potential revenue problem for next year would be \$5.8 billion and that's basically the breakdown of that \$5.8 billion. So you can see why we have a problem.

You notice I said, "we," because I think you do too. I think this is a provincial problem that we have to talk about more openly. Internalizing it isn't going to do anybody any good, so we'll be talking very openly about our revenue problems in the future. There are reasons for each one of those, and later if you want to come back to those, that's fine by me.

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You can see, when we look at these numbers, why it's very difficult to avoid a discussion of federal transfer payments and restraints in federal transfers. Some people say to me: "Stop blaming the federal government. Just get on and solve the problem." That's fine. Part of me agrees with that sentiment, but at the same time, having our transfer payments from the federal government curtailed to the tune of \$4.4 billion this year, how can we just say that's okay, business as usual? The federal government basically is transferring its deficit problems to us, one of the three so-called have provinces, even though I don't like that term. That's what they've done. That represents \$425 for every person in Ontario and compares with \$279 per person, on average, for the other provinces in this country.

I've said before—and I think it's important to keep saying it—that until 1990 the federal government paid for 50% of social assistance costs in this province. Now they pay under 30%—it's around 29%—at a time when social assistance is going through the roof. It was done unilaterally of course. We in Ontario—and I would include everybody around this table, to my knowledge—have never objected to equalization payments from Ontario to the rest of Canada. I've never heard a member of the Legislature of any party object to that. If we want to sit down and talk about equalization payments, let's do it, but this backdoor equalization is not the way to do it, taking programs like this and putting arbitrary caps on them. That simply is not the way you run a railroad.

On post-secondary education and health care, the federal support has fallen from a little over 50% to about 31%. No one should be surprised that we're struggling with a high deficit in this province. The federal government is too; I appreciate that. Nobody's pretending that the federal government doesn't have its own set of problems, but this would be like our saying to the municipalities in this province: "Sorry. You're not getting any more grants. You're on your own. Get it all through property taxes." I'm oversimplifying it, but I can tell you it's not appropri-

ate the way it has been done by the federal government. We'll continue to point that out.

The next slide shows the revenue gap in very stark terms. The April budget showed revenue of \$48 billion, November \$43.8 billion, the current outlook \$42.2 billion. That's the \$5.8 billion. If you look at some of the composition of that \$4.2-billion decrease, the one from November, you can see the lower economic growth—it's lower than anybody predicted—of \$800 million. Anticipated revenue measures about \$2 billion and other one-time factors about \$1.3 billion. The one-time factors are things like the impact of major corporate losses in the province that affect corporate revenues coming into us, some of the personal income tax overpayments for 1991 that had to be paid back, things like this that affect it.

Since then, since November there's been an additional hit, further income tax data of \$600 million and the lower revenue forecasts as well. You add all those up and you come to the revenue gap number of \$5.8 billion, which is startling, to say the least, and means that we've got a lot of work to do in getting our deficit under control, but we'll continue to work at it.

The next chart shows the estimated average per-point yield. In other words, if you raise taxes a point, how much do you get? Keeping in mind the size of the revenue gap, you can see that this does put it in perspective. For example, if we raised the PIT, which, as of January 1, is 55% of federal tax, we'd get into the coffers of the province \$265 million in a full year. If we raised the retail sales tax from 8% to 9%, we'd get \$851 million, and so forth all the way down the line. The size of the tax increases that will be necessary when revenues take a plummet the way they have is very substantial. You can see the problem of simply saying, "Oh well, why don't you raise a couple of taxes"—well, not many people say that even—"and look after the deficit?" But you can see that the size of the revenue drop dwarfs the money that you get from any one-point increase in tax revenues.

The next slide shows the growth in operating expenditures by the Ontario government. Going back to 1984-85, these are year-over-year increases: 1984-85, 8.2% over the previous year; 1985-86, 9.8%; 1986-87, 12.1%; 1987-88, 9%; 1988-89, 9.9%; 1989-90, 7.2%; 1990-91, 13%; 1991-92, 12%; and 1992-93, the fiscal year we're in now, 4.8%. You can see that almost half of that is the public debt interest.

I know we can't, but if we were to take out social assistance, which is a statutory requirement, and PDI, interest on the public debt, we'd be almost flat-lining our expenditures this year. I think, the last time I checked, about 15 ministries were actually spending less this year than last. We have worked hard on that. Health is the best example. That increased an average of 11% a year during the 1980s and will be down to around 1% this year, the increase in health care. That's despite all the pressures to provide increasingly expensive services in the health care side.

We have reduced the operating expenditures of ministries—things like travel, supplies, consulting—by about 18%. I don't have to tell people in this room that cabinet ministers' salaries have been frozen for four years in a row

and MPPs' for three years in a row. Senior management in the Ontario public service has been frozen. We are on track to reduce the size of the Ontario public service by 2,500 in two years. As you know, we did some streamlining in the last couple of weeks of government by combining some ministries.

We have worked hard. We've achieved \$625 million out of the \$950-million reduction target that was established in the budget and we've continued to work hard on that. Ministries are still continuing to try and find savings for the end of this year and for next year as well. We targeted the operating expenditure outlook for next year at \$53 billion. We're on track to achieve this number, but it's going to be very tough to go below that level because that level includes anticipated reductions in expenditures in year. Even that number makes assumptions that we will be able to achieve expenditure reductions.

Also, the transfers to our transfer agencies have already been announced for 1993-94, as you will recall, 2% for 1993-94, although it won't be rolled into the base. I think most members understand that the following year it goes back to this year's level. Also, we have continuing obligations for social assistance. Any time there's a recession there's increased pressures on legal aid, and we have commitments on the non-profit housing of course and in other programs as well. The problem of containing our expenditures is an ongoing one.

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We did announce some measures already, in November, that will save \$600 million next year and then \$1.2 billion the following year because it's annualized. We've slowed down the pace of the pay equity program. We maintain our commitment to pay equity, but we felt we simply had to slow down the pace. We shifted OSAP to a loan-remission-based program. As I mentioned earlier, we froze senior level salaries. We placed a moratorium on the improvements to public service pension benefits and we limited the funding levels to major transfer recipients, which I've already talked about.

Of course, I can't give you a number on the savings from the restructuring, but there will be some of that obviously from the recent changes in the organization of government. We will continue to work on that. Those particular savings from the combining of ministries will be reported. I think we'll have them sorted out and in the budget this year. I'll have to provide you with some more details by then. I certainly couldn't at this point.

We have built into the system now what we call two ways in which we are working on our expenditure management. One is a corporate program review system, which has become a permanent feature of the whole budget cycle, and that's to generate savings and introduce some restructuring to major programs. Jay Kaufman co-chairs that committee on corporate program reviews, and some results will be evident in the budget later this year. That's more of a government-wide approach to expenditure reductions.

We also have an internal ministry for all of the ministries called the MYERP, the multi-year expenditure reduction program, which is multi-year. The ministries

themselves work away at achieving savings from within each ministry. That's running in parallel with the corporate program reviews, which go on as well.

Last year, with regard to the program reviews, just to give you an indication of an example, the Ontario tax grants for seniors came that route, the revisions to those, as well as legal aid and the Ontario student assistance program, OSAP. That's how those changes came about, through the corporate review program.

The economic renewal infrastructure project—I know some of you have an interest in this—is a \$6-billion capital investment plan in partnership with both municipalities and the private sector. It, we believe, will create about 60,000 jobs by 1996-97 and over 100,000 in 10 years. The transit projects, which are familiar to many of you, are included in that, and the highway projects as well. By the way, out of that \$6 billion we think the provincial government will contribute about \$4.8 billion and the transfer partners and private sources the balance, to take it up to \$6 billion.

We are determined to work in partnership with the financial community and the private developers and municipalities to achieve that. It's a long-term commitment by the government, and in some cases we're using crown corporations to deliver the investment faster and, in my view, cheaper than would otherwise be the case. It's not a stall. We want to enter design and/or construction in 1993-94. This will be done within our capital budget.

To put your minds at ease, this was detailed or indicated in the budget of April 30, 1992, in which we said that this was what we intended to do. The fiscal plan showed \$3.1 billion for capital and \$800 million through new financing arrangements such as these. That's what we said in the budget and that's what we are delivering. It's not an attempt to hide or disguise anything. It'll be there for everyone to see and add up, so there's nothing that is untoward.

We're finally catching up and doing what other jurisdictions have been doing for a long, long time.

We've laid out our transit priorities for 10 years—the provincial highway economic corridor priorities—and that included, somewhat controversially, a toll road for Highway 407. I think that maybe there is an alternative to that road. It isn't as though people have to drive it. It was the case of if we wanted to get that built and get it built quickly, that's the route we should go.

On water and sewer projects, the Ontario Clean Water Agency will be delivering those and there's a very large number of 120 priorities all across the province. There's the Ontario government relocation program; there's the telecommunications project. I think we've done something exciting at a time when we have all sorts of pressures on the expenditure side. I appreciate that, but I think that to have thrown up our hands and said, "Because we're having these problems we're going to abandon investment in our infrastructure," would have been exactly the wrong thing to do. This is not Herbert Hoover or R.B. Bennett time and we felt we really had to do that.

I think you saw—not exactly the same—but you saw the pronouncements of President Clinton in the United States, although if you were to compare their commitment

on a per-capita basis, I think you'd find we're doing a lot more than they are.

Those are some of the things. I've sort of lost track of where we are on the slides.

Interjection: Slide 24.

Hon Mr Laughren: Okay. I mentioned the sewer and water, the telecommunications, the government relocation. Slide 25 talks about three crown corporations: the Transportation Capital Corp for building transit and provincial highways, the Clean Water Agency for facilities in areas of municipal need on sewer and water projects and the Ontario Realty Corp, which will develop and market surplus land, and finance and manage government accommodation as well. We think this allows us more flexibility in working with the private sector and the municipalities, and it will be faster and a more cost-effective way. We are determined to move; I really think it's the right direction.

The accounting will be done in a corporation-type way and will help match the cost of acquiring capital assets with the benefits they deliver and the financial reporting will be done to the Legislature. We're not attempting to avoid that at all, that would be silly. The spending plans of the corporations will be—they'll be held accountable to treasury board, which is the way it should be and the borrowing for them will be managed and coordinated by the Ministry of Finance. As I said earlier, other jurisdictions, both here and elsewhere, have utilized this way for some time.

I imagine each corporation would have a chair and a board of directors that would report, in the case of the transportation, to the Ministry of Transportation. The Clean Water Agency would have a similar kind of structure, as would the Ontario Realty Corp. It is our attempt to make them accountable to the Legislature itself and obviously members will appropriately want to be engaged in the debate when the legislation comes forward to establish these. We look forward to that debate because I'm sure members of the opposition and government members will have some positive and helpful comments to make on how these should be structured and run. We look forward to that debate, I hope, this spring.

We're getting to the end, so I guess this is the last one. I've tried to be as direct as possible with members of the committee. We have unquestionably some very difficult choices—since I consider this as part of the pre-budget process—some tough choices for the budget that will have to be done later this spring. I'd be very interested in hearing from members on all sides on how we deal with these challenges. Are there realistic limits on the amount of expenditure reduction that we can and should try to achieve in this province?

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Let's face it, government has the wherewithal to massively reduce expenditures, but at what point would you cease to recognize the province of Ontario the way we've traditionally viewed it and the way the people of this province have seen the services they should receive and how they should receive them?

Are there some services that should not be touched or should there be some that receive special attention and

should really be cut or eliminated, even? I'd be interested in your views on that. I know the ultimate responsibility is government, but I think we would be very interested in hearing advice from all members on all sides because I think simply throwing up your hands and saying, "Well, it shouldn't be this way" doesn't solve the problem. That's the way it is. It's sure not because we've gone on a spending spree, it's because the revenues have fallen off. I'd be very interested in hearing views.

Tax increases are always difficult and always unpopular, but in times like this, are there some taxes we should at least be considering and some we should not even dare consider? Which, in other words, would be the least offensive to consider as we draft our budget? In other words, would some tax increases be better than some expenditure reductions? Would it be doing more damage to the economy to reduce certain capital expenditures or would it be better to raise taxes? Think about that.

What about the deficit itself? Would letting the deficit go up, given the depth of the recession, be better than increasing taxes or cutting some programs, or would that simply put it off until it's even more difficult to deal with in the next few years? In other words, we would just be postponing the difficult decisions. How would it affect the confidence in our economy if we don't keep that deficit under control?

Those are the tough choices we face. I appreciate the fact that there are tough choices. I really was not hinting that it wasn't our responsibility but I was trying to say earlier that I think we've got to be more open and share with the people of the province the enormity of the problem on the revenue side and what that means in terms of deficits, and that we need to have a free-flowing debate on this with lots of suggestions. The most common suggestion I get is "just reduce expenditures," but people are a little hesitant to say which ones. I would be interested in your comments on that.

The \$5.8-billion gap I mentioned on the revenue side assumes no tax increases, no revenue asset sales, things like that, and that is unacceptable.

Mr Jay Kaufman: Just to clarify that—there were two points the Treasurer made which I just want to clarify. One is that the \$5.8-billion gap did include some revenue projections and also, in the chart you looked at in terms of the growth in revenues, you mentioned it included additional revenues from revenue moves, and that didn't. I just want to clarify that.

Hon Mr Laughren: I appreciate that. In conclusion, I was looking at some of the 1992-93 numbers from other jurisdictions—in other words, what other provinces and the federal government had budgeted for deficit this year. It was cold comfort, I must say, but I was struck by how similar the problems are across this land: the Newfoundland budget, out 10%; PEI, 100%; Nova Scotia, this one we don't have; New Brunswick, 10%; Quebec 21.6%—this is off on their budget projections of deficit—ours, 10.2%—although that could go higher, I hasten to add, if the fiscal stabilization doesn't come in and that's looking very dicey at this point; Manitoba, off about 34%; Saskatchewan,

almost 15%, Alberta, 20%; British Columbia, 34%, and the federal government 25%. That's for this year, and next year they're closer to 50% off from what the projections would be.

As I said at the beginning, that's cold comfort. I'm not suggesting for a minute that means we don't have a problem here, we sure do. But at least it's an indication that it's not just Ontario that's got the revenue problem. Every province in this country has it, including the federal government. The federal government's would be a lot higher than even what its numbers are if it hadn't passed a lot of that deficit off to us. You can see that the problem is across the entire country and that's why there's a growing acknowledgement, I think, that the deficit problems in this country are serious and are going to have to be addressed in a very serious way.

Thank you, Mr Chair. I appreciate very much the apparent interest of the committee and I look forward to some exchanges. I won't hesitate to ask people from the ministry to help me out on the questions if the questions get technical.

The Chair: Okay. Thank you for the presentation. Mr Phillips first—20 minutes.

Mr Gerry Phillips (Scarborough-Agincourt): Are we going for the full 20 minutes? Is that how you want to go?

The Chair: Do you want to go for the full 20? If you're going for 10, I'll see that you've got 10 left and we can come back to you then.

Mr Phillips: Maybe that would be nice.

Mr Carr: Mr Chairman, why don't we do that, if it's acceptable, just 10, 10 and back round?

The Chair: Okay. I'll mark down how long.

Mr Phillips: I'm anxious to be helpful. I think, Treasurer, or Minister of Finance, I guess, that we seem to spend an inordinate amount of time trying to determine what the real numbers are and, in my opinion, treasury staff or Finance staff have been spending an awful lot of time devising new methods of dealing with the finances. Actually, it's not very helpful; it's not very helpful to the people of Ontario, spending all that time. It's not very helpful for us in opposition to be so cynical about the numbers, because we frankly don't trust the numbers.

Hon Mr Laughren: I hope you'll be specific.

Mr Phillips: For example, I think the delay with the pensions—there's \$570 million you said you would pay. You delayed it from 1992-93. It was a bill due and payable in 1992-93. You delayed it to the next fiscal year and I think you may delay it for a long period of time. That's one example.

I don't believe, personally, that the fiscal stabilization money—the total money was ever there. I asked you three times to give us the document, as you'll remember, and I've never seen that document.

I have real questions about the establishment of the schedule 4 agencies. I've real questions about moving capital expenditures into the capital corporations. I've real questions about, instead of your funding school capital, having the school boards take on the debt and you guarantee

the debt. I've real questions about the sale and leaseback of the GO trains. I've real questions about sale and leaseback of computers. I've real questions about selling the government buildings to a crown agency and then leasing them back in that I think we'll take that into revenue and then have the lease for ever. I've real questions about the numbers I asked for, expenditures on pensions and non-profit housing, that I haven't seen to date.

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But I'm going to make a specific recommendation to help us out of this mess. I've been going through the Saskatchewan report. This is a very recent report, done when the government changed hands. It recommends, frankly, undoing many of the things you're planning to do, almost point by point. I could go through probably 20 different recommendations which are heading 180 degrees from the direction the Ontario government is going to head in. I think there's a solution to this, because it's not particularly productive for me to be constantly badgering the government and the government to be defending it.

I think this independent study was worthwhile. It took only three months to do. It would give the people of Ontario at least an independent look at whether the way you're planning to do all of these accounting moves is reasonable. You asked for specific suggestions; there's one that could be helpful. Maybe you could comment on that.

Hon Mr Laughren: First of all, I'm not sure I understood what your position was. I wasn't sure whether you were saying we shouldn't do the pensions, we shouldn't put off the pensions.

Mr Phillips: I think you have to record that as an expense. I think you've misstated the finances of the province.

Hon Mr Laughren: So you don't think we should have put off the pensions from January 1 to April 1?

Mr Phillips: I think they should have been shown as an expense, as anybody would have shown them, yes.

Hon Mr Laughren: We didn't pay it. It's not an expense if we didn't pay it.

Mr Phillips: Because, again, it says here that you should record expenses in the year they occurred. All you did was delay making the payment, and that is not recording the finances of the province.

Hon Mr Laughren: I guess I don't understand that. It was a \$500-million bill for January 1, as I recall. We negotiated it. We said we're not going to pay it on January 1; we're going to pay it in the next fiscal year. So you're saying we should have recorded it in 1992-93 even though we didn't pay it in 1992-93?

Mr Phillips: Yes, of course I'm saying that. That's right, because that is an expense incurred. If you want to get your expenditures down, it's quite easy: Just delay all the payments to the next fiscal year. You can record very low expenditures. But this is the point this report makes, exactly this point, that you cannot simply, with a stroke of the pen, delay \$500-million worth of costs that were incurred. That particular one, in my opinion, cost the taxpayers \$50,000 every day, for that optical move. That's my opinion.

Hon Mr Laughren: I see absolutely nothing wrong with managing the expenditures of this province in such a way that—you would do it at a personal level, Mr Phillips, in your own case. You certainly would.

Mr Phillips: There isn't one company in this country that could do that, not one.

Hon Mr Laughren: Of course there is.

Mr Phillips: No, there isn't.

Hon Mr Laughren: Any company can decide to put off an expenditure for three months. Of course they can.

Mr Phillips: No, they can't.

Hon Mr Laughren: I'm interested, though, that you are opposed to the whole question of sale and leaseback. It's a very traditional way of getting a better bang for your buck for the taxpayers of this province. It seems as though you don't want to change anything. You want it to be business as usual for ever and ever in the province of Ontario. I think that is a wise move, I think the taxpayers will gain by that move and I think it would be irresponsible not to do it, quite frankly. The days are gone, Mr Phillips, when you just ride on, spending money, layering program on program, the way it's been done in the past. We've got to do things differently, given the difficulties we're having on the revenue side. I admit that. We have to do things differently. That's one of the things we have to do differently.

Mr Phillips: Would you agree to an independent study which would, I think, clear the air?

Hon Mr Laughren: If the Provincial Auditor says this is inappropriate, then we'll take a look at it, but I have no reason to believe that anything we're doing isn't entirely appropriate and indeed being done in lots of other jurisdictions. If Saskatchewan is doing it in a way that somebody deemed not appropriate, so be it, that's Saskatchewan. But we don't intend to play any kind of funny money games. That would be silly on our part.

Mr Phillips: Is there a reason you wouldn't agree to the independent audit?

Hon Mr Laughren: Just because I don't think there's any necessity for it. We're just starting these up, Mr Phillips. Those have been going on for how many years in Saskatchewan. Maybe it was a time for a look at them. We haven't even started these yet. Give us a chance to get them started, get them under way, and then judge by how they perform and the accountability that's set up to the Legislature. To me, you're prejudging these before we even get them up and moving.

Mr Phillips: That's but one example, as I say, the pensions. I think it was wrong. I'm not even sure you're going to repay the pensions this fiscal year, 1993-94.

Hon Mr Laughren: That's possible. We are negotiating with the teachers now. But it will be in the spirit of negotiation, not arbitrarily, the way some governments do it.

Mr Phillips: But it is a misstatement of the finances of the province.

Hon Mr Laughren: That's nonsense.

Mr Phillips: I'm telling you that you would not get one single company that could ever report—

Hon Mr Laughren: Mr Phillips, I'll take criticism of things we do, but to say that it's a misstatement is total and absolute nonsense. If we negotiate with the teachers to put off the payment of a \$500-million bill, paying them interest for three months, what is illegitimate about that, for heaven's sake? Nothing, absolutely nothing.

Mr Phillips: I think this debate is proving why we need the same thing the Saskatchewan government implemented, and that is an independent view on these things. The Provincial Auditor cannot deal with this matter.

Hon Mr Laughren: Of course he can.

Mr Phillips: We tried to get the Provincial Auditor to deal with it and he would not deal with it. We need that independent source, just like the Saskatchewan government.

Hon Mr Laughren: If the province were to engage in any kind of accounting that was not appropriate, the Provincial Auditor would be landing on us with both feet, as he or she should.

Mr Phillips: If I could continue with this, I frankly will keep pushing it. I think you'll keep hearing from me. I said to your staff on Friday that I don't have a problem with the capital corporations; I have a problem with the way you're planning to report them. What I think you're planning to do is to continue to spend probably \$800 million this year and record, as I understand, one twentieth of that cost.

Hon Mr Laughren: But they'll be reported back to the Legislature in the public accounts, through our capital accounts, I guess, the capital spending. There's nothing that won't be completely transparent to everybody who wants to examine them.

Mr Phillips: I think the Saskatchewan government would have said they're transparent too and found the need for that.

On the deficit, just so I'm clear on it, you're now saying your best cut on the deficit for 1993-94 is \$14.7 billion?

Hon Mr Laughren: No, we had built into our plan for next year a deficit of \$8.1 billion total, total budgetary requirements. We're saying that if there's a gap of \$5.8 billion, that would take it up to \$13.9 billion.

Mr Phillips: What about the \$800 million you're spending on capital?

Hon Mr Laughren: The part that's being amortized? Maybe Jay could speak to that.

Mr Phillips: The \$800 million you're going to spend on capital, but put that elsewhere.

Mr Kaufman: No, the \$800 million you're referring to in the budget was the capital which was to be amortized and reported separately. That type of accounting clearly is different. It's amortized capital and not a direct capital expenditure of the type that's identified in your first set of numbers.

Mr Phillips: So it'll be an \$800-million debt, will it?

Hon Mr Laughren: It'd be part of the budgetary requirements.

Mr Kaufman: There will be a long-term debt associated with that capital spending and there will be revenue of one sort or another, ultimately, to pay off that debt over the life of the assets. It's not being accounted for in the same way as the capital which is included in your first numbers.

Mr Phillips: I know you're angry with the federal government, but I look at the numbers and it looks to me like the transfers from the federal government this year that's just ending have gone up 25%, \$1.6 billion. I was looking at transfers to school boards and what not, at 2%.

Hon Mr Laughren: First of all, that included the fiscal stabilization plan, which is a one-time payment only, right? It inflates the numbers in that year. We got into this one other time. Also, I think it's unfair to look at numbers that way without saying what are the numbers to which we're entitled. That's where the whole thing falls apart, on the obligations of the federal government.

Mr Phillips: In terms of when we should expect the budget, are we on schedule for late April or early May now?

1510

Hon Mr Laughren: We actually haven't set a date, we really haven't. Pre-budget consultations still have until 13 March. About the middle of March the pre-budget consultations conclude, so we wouldn't want to be taking actions before that consultation period is over, even starting to finalize decisions.

Mr Phillips: On the sale/leaseback things, what will you plan to do with the revenues? To me it's a bit like you have the house paid off, you're living rent-free and now you're going to remortgage the house, take the mortgage money into your income and take on a 20-year mortgage. You get a kind of a double whammy, if you will. You get the revenue that you take in, but you've now taken on a 20- or 30-year cost that wasn't there before. Was that what we should expect on the sale/leaseback of government buildings, computers and the GO trains, the revenue in as part of general revenue and then brand-new costs for—

Hon Mr Laughren: Using GO Transit as an example, we get the money from the refinancing of that and then, over the period of the next 15 years, pay back on a lease basis. But at the end of those 15 years, we have not only received the money from the refinancing; we end up owning the rolling stock again.

Mr Phillips: As I say, I will have a lot of questions around the problems we're going to get ourselves into in the long term by selling off assets, taking them into revenue and then essentially borrowing money and having them as an ongoing expenditure.

Hon Mr Laughren: But I guess it depends on how you view how capital projects should be bought and paid for. I think the traditional view is just that you pay for it all up front and that's it. I think the day is gone when we should be doing that. I just think it's the wrong way to do it.

Mr Phillips: I think we're going to get ourselves in an enormous trap, because, as I looked at your budgets, you said that it costs, every year, about \$3.5 billion to \$4 billion

to refurbish the infrastructure of the province. That's what your budget said. Now you're planning, conceptually, to charge only one twentieth of that cost. It will look good for the short term, but we are creating, in my mind, brand-new debt traps. That's why I strongly urge you to at least consider our recommendation to have somebody independent look at this, or else I think that, rather than getting on to deal with the issues, we're going to be dealing with the symptoms of the problem.

Hon Mr Laughren: We're not exactly breaking new ground with this. I think it's done at the federal level with aircraft. I don't know whether the railroads do it or not, but this is not something that's new. It's an acceptable, standard way of refinancing. If it were something that could be chalked up to creative accounting, I might agree with you. But that's not the case at all. This is quite a traditional way of refinancing.

Mr Phillips: What the commission in Saskatchewan has said is that it is questionable. That's why I think there's merit in an independent look at it, because I think we are spending—I'll repeat—spending all of our time with the treasury staff looking at every deal coming up from Bay Street when we should be getting on, in my opinion, dealing with the issues of the province. Whether it be sale/leaseback of computers, sale/leaseback of all the government buildings, we are going to take revenue in and get ourselves a long-term lease or debt that would make it very tough for us to work our way out of.

Hon Mr Laughren: That really is a different way of looking at how you pay for capital expenditures which have long-run benefits for the province. I can't remember how many American states don't do it this way, but it's very few. This is a very acceptable way of doing things, and it's a better way of managing very scarce resources of the province. I wouldn't be doing it otherwise.

Mr Phillips: As I say, the debate will, I guess, continue for some time.

The Chair: You have two minutes left, Mr Phillips.

Mr Phillips: On the revenue forecasts that you have in the budget: Do you continue to use that tax revenues should grow at the rate of 90% of the nominal GDP?

Hon Mr Laughren: I believe that's the standard model of economic forecasting.

Mr Phillips: Because these numbers indicate something a little lower than that. Is there a reason for that?

Hon Mr Laughren: Is Steve here? Steve Dorey will have a run at that one.

Mr Steve Dorey: Hi. I think that rule of thumb is one we've used particularly when we've wanted to go out a fair way and show what's going to happen through the medium term. When we produce a revenue forecast for this year and next, we take a much more detailed look at each of the revenue sources and estimate each of them separately. That's why the ratio is a lot lower. I think the ratio would be something about 75% if you did the arithmetic for next year.

Mr Phillips: That's strange, because in the past I think you've used it for next year's revenues as well. Is there a reason why you take a lower number now?

Mr Dorey: In terms of preparing for the budget, simply applying a ratio, a rule of thumb, to GDP is a pretty crude way to go at it, I think. We just do a more detailed study than that.

Mr Phillips: Okay. On the other revenue, at \$4.1 billion, I gather you're assuming you'll continue with sale and rentals.

Hon Mr Laughren: Yes.

Mr Phillips: Is there any indication of how much that is?

Hon Mr Laughren: Sorry; where are you at now, Mr Phillips?

Mr Phillips: I'm actually at slide 15 on the 1993-94 revenue outlook. The other revenue is estimated at \$4.1 billion. In 1992-93 you've estimated \$4.4 billion.

Mr Kaufman: You're looking at slide 15, the revenue measures?

Mr Phillips: Yes.

Mr Kaufman: That refers to a general target. Obviously any combination of revenue opportunities would be looked at, measures would be looked at, including non-tax revenues, asset sales and also the question of direct tax moves. It's a generalized number which we're using for planning purposes. We'll certainly be looking, and are looking, as you've flagged today in your press release, at a variety of sale/leaseback type of options. Those will be examined by the government over the next period and some decisions will be taken.

Hon Mr Laughren: Did you do a press release again today?

Mr Phillips: No.

The Chair: Mr Phillips, I've got to go on to Mr Carr. Mr Carr, you have the floor.

Mr Carr: I want to thank the Treasurer for coming back again. I know he remembers the days in opposition when it's nice to come back. You're very gracious to come back, particularly with what happened after last time.

I want to talk about jobs in your budget. On page 1 you said that jobs were going to be the number one priority. You mentioned that again today. On page 2 you outlined your game plan for creating jobs. That was how you were going to do it, through Jobs Ontario. Your slide 9 came in today and talked about how at that time you predicted 9.8% unemployment. It's now gone to 10.8%. When you came into office, we had the lowest unemployment rate. Last year four provinces have now passed us, are now lower. In a nutshell, you said this is what we're going to accomplish—create jobs—on page 1, on page 2 you said this is how we're going to do it and then slide 9 of your presentation shows very clearly that you didn't make it. Wouldn't a reasonable person in the province of Ontario say, as a result of that, that the budget of 1992 is a failure?

Hon Mr Laughren: I'd say that our expectations of growth in the Ontario economy as of last April 30, when

we brought down the budget, were higher than was achieved. I would have to look far and wide to find someone who didn't have the same problem, either other provinces or other forecasters who were predicting growth in the Ontario economy.

Our projections on unemployment and inflation and real growth were pretty well in the middle of the pack when it came to projections for this year. There's no question that we didn't achieve it, as virtually no one else did. You don't have to be a rocket scientist or a hockey player to know that we did not achieve the numbers we had hoped. There's no question about that. The recession has been deeper and longer than anybody predicted. If you go and talk to the federal Minister of Finance, I suspect he'll throw up his hands and say: "That's correct. Nobody achieved what he'd hope to."

1520

Mr Carr: Thank you, Treasurer. I wasn't interested in your predictions being wrong. I was interested in the fact that the programs you put in place don't seem to be working as a result. I'll just get into that a little bit, trying to be as specific as I can. You said that we'd spend about \$6 billion through Jobs Ontario and create about 100,000 jobs. Give or take, probably \$60,000 a job is what we're looking at. With regard to the Jobs Ontario Training, we're spending \$10,000 to give to the private sector to get people off social assistance. As you know, we've got one in nine or one in ten people.

Why are we spending \$60,000 per job if the Jobs Ontario Training will work and get that 1.2 million off social assistance and get them jobs through the private sector? Isn't it a high cost that we're paying to produce jobs with your Jobs Ontario program? I'll just finish up very quickly. Is that an indication that maybe the Jobs Ontario Training isn't working? Why are we spending more if we can get the same bang through another method?

Hon Mr Laughren: I think that's a good question. I'd be careful about the number of people to be trained. The social assistance numbers include children.

Mr Carr: Yes, I know. I appreciate that, but you know what I mean.

Hon Mr Laughren: Yes, I know what you mean. The Jobs Ontario Training, in my view, has been the most difficult and complex program that has been undertaken by government to deal with both training and people on social assistance. To go back to it—and this isn't meant as an excuse but an explanation—because the recession's been tougher, the number of employers taking advantage of the very substantial credit that's available to them on the training hasn't been what we'd hoped it would be. However, I believe we will end up spending almost all the allotment for Jobs Ontario Training this year.

Now, you'll keep in mind that the program was designed so that people on social assistance could get into the workforce, get trained, get pre-employment training, get training and hopefully full-time employment down the road flowing from that. Because one of the major obstacles for single parents getting back into the workforce is unavailability of child care, that was built into it as one of the

components. If you'll forgive me, I think it's one of the most imaginative, creative, forward-looking programs that's ever been developed, because it puts all those components together and tries to get people on social assistance into the workforce and retrained and provide the child care.

I believe we have an incredible number of commitments from employers—I don't have all the numbers in my head right now—that will basically use up the allotment. What's been slower is that they'll say, "We will take these people but first of all we want to be in a position to create that job." That hasn't happened yet because of the recovery being so slow. I think it's a good program. I think it was slower getting off the ground and achieving our numbers. It wasn't because we were trying to save money in the program. We wanted to get the money out the door, get these people trained and get them back into the workforce. If it's slower than I would have liked, and it is, it's because of the slowness of the economic recovery. I still think it's the right principle to be dealing with, because it doesn't just hand out money. It says that we want to tie in training to it.

Mr Carr: Yes, that's the point I was trying to make. I agree with you, by the way, on that, Treasurer, that by doing that we could get more people. That's why I'm saying, if you're going to spend the money, why not do it in a program like that, where it can be a big bang for the buck. We are a little short of time, so I'll get off.

I just did want to make the point that here we are spending more money. If this program is truly working and we need to get people off social assistance, because that's where our revenue is going, our spending is going, then this is a good way of doing it. You said you like the program, and that's the point I wanted to make. We can maybe come back if there's more time. You look like you want to answer, so go ahead if you have some thoughts.

Hon Mr Laughren: I'm sorry. I don't want to cut into your time, because I know you have a lot here, but Jay was telling me that the average cost per trainee was \$6,700. Keeping in mind that some of the money is available to employers to train existing employees, you have to be careful about extrapolating the numbers just from the trainees to the total cost of the program. Okay?

Mr Carr: Again, the point that I wanted to make is that if we are spending money, when you look at \$60,000 per job, if we can't get jobs that are being created through getting people off social assistance, I would agree 100% with you. But we can argue that. It's just some food for thought.

I did want to get on to the other big question, and that's regarding the T word, which is taxes. I still call them taxes. I don't know if you call them contributions now, like some other politicians, but I call them taxes. You mentioned that last year we had an increase in taxes. During the election campaign you said—and I'll paraphrase a little bit—we could have all the spending. We could have \$5 billion more with Agenda for People and how we would pay for it is tax corporations and the rich.

Last year's budget put a surtax on people making \$53,000—a massive surtax, in my opinion—14%. That's the average worker at the Ford plant who didn't think he was going to be included in the high corporation. It's very simple. We only get 7% of our revenue from the corporations and they didn't think they were going to be the rich that you were talking about. Slide 12 talked about the revenue. You increased taxes by \$1 billion and it still went down, the total revenue, by \$1.5 billion or whatever. Doesn't that tell you that by increasing taxes you're not going to necessarily get more revenue? The big question everybody is asking you is, are you going to increase any taxes, and if so, which ones?

Hon Mr Laughren: I would be fibbing to you if I told you that I could even answer that question, because we really have not sat down and looked at which if any taxes we will be increasing or reducing. We actually reduced some taxes last year. You never give us credit for that, Mr Carr. We really haven't looked at that. I know nobody likes taxes, as I said, but you're the first one to point out that higher deficits are future taxes. We do have to keep in mind that there is nothing magical, that there is a balancing act between keeping the deficit in check, maintaining the essential services and being selective about which if any taxes are to be increased. It's a balancing act because you could obviously let any one of them go crazy and that's not in anybody's best interest.

Quite frankly, if I can conclude, there are some taxes where, before we even got to that point in budget planning, I would want to sit down with the people in the ministry and say, "Which one of these would have the most detrimental effect on economic recovery and so forth?" because of, as I said earlier, the rather slow recovery that we're going to experience in the next few years.

Mr Carr: I want to tell you about an experience I had. I went to an open meeting with board of education people. They were taking real heat over the property taxes. I think people realize its education. I'm going to say this in a non-partisan way because Conservatives have reduced the amount of funding from 60% and so have Liberals, so has the NDP, even though in the last election one of these NDPers promised to go back to 60%, so I'll say it in a non-partisan way.

Mr Jim Wiseman (Durham West): You did a good job.

Mr Carr: No, I said with Conservatives it was at 60% and now in Halton, for example, we're down to 27%. Who was worst, whether it was Conservatives, Liberals or NDP who broke the bigger promise? The fact of the matter is that it used to be 60%; it's now 27%. They stood up and were taking a tremendous amount of heat for property tax increases. I was hoping they would stand up and talk about transfers and 60% and blame them. To their credit they didn't do that. What you have done to municipalities, universities, school boards and hospitals in your transfers is a lot similar to what you're saying the federal government is doing. They didn't blame the provincial government and say that if we went back to 60% they wouldn't have to increase taxes, which is true. When will you and the Premier

stop blaming other levels of government for the problems in the province of Ontario?

Hon Mr Laughren: When the federal government starts treating Ontario the way Ontario should be treated.

Mr Carr: Like the trustees.

Hon Mr Laughren: When Ontario starts getting its fair share again of the programs to which we are entitled, then we will stop blaming the federal government for at least some of our problems. Mr Carr, when the federal government came out with a proposed national highways initiative, do you know what Ontario's proportion was going to be if we just rolled over and let it do it to us? It was going to be 15%. I'm all for equalization payments, but not, as I said earlier, by the back door. This province pays 40% of the fuel taxes that the federal government collects and here they are going to give us a big bonus at 15% of federal government expenditures on highways all across the country. That simply is not appropriate.

1530

So very directly, I and the Premier and anybody else, I assume, will stop beating up on the other senior level of government when they start treating Ontario the way Ontario historically has been treated.

Mr Carr: I'm glad to see that some people, like the trustees, aren't taking that same tack.

Hon Mr Laughren: Well, the same thing isn't being done to them.

Mr Carr: I've got one short question and then I—

Hon Mr Laughren: How is it 2%, Mr Carr, at a time when inflation is running around 1% in the province and we are transferring to our transfer partners out there 1% last year plus a 1% transition fund, 2% in the year we're in now, 2% next year? That's surely not treating them the way the federal government is treating us.

Mr Carr: When it used to be 60% versus 27%—

Hon Mr Laughren: Well—

Mr Carr: —and that's the biggest part of the property tax. Anyway, we'll get off it. The point I'm making is, if you look at the 1985 budget, these pie charts—70% of the revenue came from the federal government. Your pie chart here was still at 17% and that's your pie chart. But I just wanted to make the—

Hon Mr Laughren: That's half of your social assistance costs.

Mr Carr: —point, because the same situation works for school boards.

Last question and then I'll turn it over to Ted. I may have some time to come back and then continue on, but the time is short. I did want to make a couple of points. The point on that is the same thing: I was very pleased the trustees—it would have been very easy to blame you, they didn't do that.

Hon Mr Laughren: It wouldn't have been easy.

Mr Carr: Last question on social assistance: We've gone from \$2 billion to \$6.2 billion spent on that. Very clearly you've talked about a revenue that there will never, ever be any opportunity to reduce any taxes as long as we

keep spending, whether it's 1 in 9, 1 in 10 or whatever. Your Premier's come out and said he's looked at some of the programs the United States is looking at to get people off social assistance; you've got job training and so on. What are we going to do to get those people off?

We are now looking at spending \$6.2 billion. What are you looking at over the next two or three years? Are we going to get that down or is it going to continue to go up? Quite frankly, number one, as a province, if we don't do that we're in trouble because that's where our money will be going; number two, as your Premier has pointed out—and Bill Clinton and everybody else—it will be human waste, a tragedy, to have that many people sitting around doing nothing.

What is your plan to get it off and where do you see social assistance spending going?

Hon Mr Laughren: I wish there was an easier answer than the one I'm going to give you, but we are—and I know people raise their eyebrows when governments talk about restructuring programs and so forth, but there is a major social assistance reform program being worked at now. We're quite serious about it.

Of course, the Minister of Community and Social Services can give you a more articulate answer than I, but we want to make sure—I think this is where some remarks were misinterpreted a week or so ago—we have a more, what I would call, proactive labour market policy so that—and I think the Jobs Ontario Training is not a bad example of that—people on social assistance are given the opportunity to work. I think historically there's been so many obstacles to that happening that it hasn't happened, and I think child care is just one example of that. Pre-employment training is another example of where it needs to be done and I think training is another area that needs to be changed.

We need to link—and this is where we have to be careful in the use of our words because they can be easily misinterpreted—I think there needs to be a closer link between social assistance and the workplace. In other words, more opportunities have to be provided to people on social assistance so they can be encouraged, aided and abetted to get into the workplace to end that cycle of dependence. I think ending dependence is the secret.

To be fair, the former government commissioned a study on social assistance reform and the name of the study, which I thought was most appropriate, was called Transitions. I think that's the way the previous government saw social assistance as well, as transition from being dependent to being in the workplace, and that's the transition—that's how I read it anyway and I think that's correct.

We very much want to make sure that people who are on—because I agree with you, that number is scary, over \$6 billion on social assistance, and in a very positive way we have to get that number down and get people back to work. It's hard to do when you're in the middle of a severe recession, but I think now is the time to start working towards getting people trained and getting them into the workplace.

The Chair: Okay. Mr Arnott, three minutes left.

Mr Ted Arnott (Wellington): Minister, two questions and both revolve around the debt issue. That concerns me most, I think, about what's happening today with our provincial government.

There was an article in the newspaper, in the *Globe and Mail*, February 16, "Debt crisis looms," the C.D. Howe Institute study. You were quoted following the release of that information as sharing the concern. What contingency plan is in place if the worst case scenario, as outlined by the C.D. Howe Institute report, is what we're going to be seeing in, say, two years' time?

Hon Mr Laughren: I'd worry that a contingency plan would trigger the crisis. I think the—I didn't read the C.D. Howe study, I read the press report on what the C.D. Howe said and I wouldn't quarrel with the C.D. Howe that the growing levels of deficits and cumulative debts across the land are a growing problem. You'd have to live in some other world not to realize that as the debt keeps accumulating then more and more of our revenues go to pay for interest on that debt. We're paying now a little over 12 cents on our revenue to service the debt. Once again, this isn't meant as a partisan shot, but the federal government is paying about 32 or 33 cents of every revenue dollar. That gives you very little room or flexibility to provide programs, and about 65% or 70% of our debt is offshore that we borrow now. That is a problem and a real concern.

The only contingency plan, to use your terms, I guess, is to try and get the deficit growth reversed so that the deficits are going down instead of up. Anybody who tells you we can accomplish that in the next two or three years—we can reverse the trend in deficits, but I'm telling you, it's going to be very, very difficult, given the fragility of the recovery without, as I said earlier, changing the face of Ontario. That's going to be extremely difficult, but I don't quarrel with your premise that the growing deficits and the cumulative debt is a problem.

The Chair: Okay. I have to go on to Mr Johnson.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): First of all, I'd like to thank Mr Laughren for his very open, forthright and complete presentation that he's made before the committee today.

I just want to speak for a minute about taxation. Certainly, we know the revenue projections have not produced the revenues we would have expected and would have liked, and certainly that concerns us. But with regard to taxation, there's another concern, and that is how competitive Ontario is to other jurisdictions. We know people don't care to have their taxes raised, I think you could ask anyone—

Hon Mr Laughren: Don't what?

Mr Johnson: Don't care to have their taxes raised.

Hon Mr Laughren: That's right.

Mr Johnson: We could ask anyone and I'm sure we would all agree that there isn't anyone who likes to see their taxes go up, but there's a benefit relationship. People always say if they know they're getting a good benefit for their tax investment, then they aren't as readily concerned about that increase.

I'm not sure whether you brought this information with you today, but I know on slide 12 it shows some of the shortfalls we were expecting. I was wondering if you had any information you would care to share with the committee today with regard to how Ontario compares with other jurisdictions.

Hon Mr Laughren: I have a couple I didn't actually show but could. One shows the tax revenue as a percentage of gross domestic product compared to other major industrialized countries and the other one is a comparison of corporate income tax rates. Did you want to see one of those two or both?

Mr Johnson: If you could share that information with us, I think it would show that—I'm under the impression, and some people aren't, I know, but I'm under the impression that Ontario is in pretty good stead when it comes to comparisons with other jurisdictions.

1540

Hon Mr Laughren: There it is now. This shows the tax revenues as a percentage of gross domestic product in major industrialized countries and you can see the United States is 29.9%. In other words, the revenues they collect in the form of taxes are 29% of their GDP. Japan is 31.3%, the UK is 36.7%, we're 37.1%, Germany is 37.7%. In other words, those first three countries collect a lower percentage of taxes of their GDP than Canada. This isn't broken down by Ontario; it's Canadian. But Germany at 37.7%, Italy at 39% and France at 43.7% are higher, so we're sort of in the middle of those countries. The Organization for Economic Cooperation and Development average of—what, 22 countries in the OECD? The OECD average is 38.8%—these are the industrialized countries—and ours is 37.1%, so we're higher than some countries but lower than others and we're lower than the average of the industrialized countries.

The other chart has to do with comparing corporate income tax rates in the manufacturing sector, because that tends to be one most people concentrate on, I guess. I don't know whether we could get other comparisons or not.

The heavy area is the existing, and the shaded area adds in what President Clinton announced the other night. You can see that Ontario is 35.3%, and we collect our own corporate income tax in the province, not just federal. Illinois, Massachusetts, Michigan, New York, Ohio, Tennessee and Texas are all higher than Ontario.

I hasten to add that these numbers do not include payroll taxes, capital taxes or property taxes that business pays, so you'd have to build all those in. This is simply the corporate income tax rates that compare those jurisdictions.

The one number I can remember—I guess the health wouldn't be built into this—but I can remember auto sector persons saying that in the United States, using Canadian dollars, the cost of paying for employees' health care benefits is around \$4,200, and in Ontario, it's around \$700. So there are some competitive advantages that we don't talk about often enough, I think, because they're real.

Not every employer pays the employees' health tax, I appreciate that, so you can't just build it into a graph, but

it's very real and it's a very definite advantage that Ontario has. I don't know how much time I can spend on this, but the last number I saw on health care, we paid about 9% of our GNP on health care—which is public, medicare. The United States, which is private, pays 12% of their GNP, and even then there are over 30 million Americans with zero health coverage and another 50 million or 60 million with inadequate coverage. So we have some major advantages, too, that we need to talk about more often, in my view.

Mr Johnson: While we're on taxes, I was just wondering: Mr Clinton said he is going to raise some taxes, but one of the things that—

Hon Mr Laughren: Who?

Mr Johnson: Mr Clinton.

Mr Phillips: He doesn't work for you.

Mr Johnson: I think he's the president. With regard to fuel tax, I know that's always been a bone of contention for travellers and business alike. The United States has no policy—that is, a national tax—on fuel and Mr Clinton, I know, is toying with this idea. It wouldn't take much, I don't think, of a national fuel tax in the United States to put many of the provinces of Canada, as well as Ontario, in good stead. Do you have an opinion or any further information with regard to that?

Hon Mr Laughren: My understanding of what Mr Clinton's doing is putting a tax on—what do you call it—

Mr Arnott: British thermal units.

Hon Mr Laughren: —energy based on British thermal units, which is a measurement of generation of energy, I guess, although I hadn't thought about that since grade 10.

Mr Carr: Oh oh, another tax coming.

Hon Mr Laughren: Yes. I think the equivalent on gasoline, as I recall, would be about seven and a half cents a gallon. If that were true, if it were seven and a half cents all across the board, it still wouldn't bring American gasoline prices up to the level of Ontario or Canadian gasoline prices. Although I think it would have a bearing, for example, on cross-border shopping, I don't kid myself that suddenly people would be flocking from the States to Canada to buy gasoline. It wouldn't be that size of hit, but it was an interesting proposal. There's no truth to the rumour that I said that it gives us that much room to move.

Mr Johnson: You haven't sent him any letters encouraging him to raise it, then?

Hon Mr Laughren: No, but I do think that his economic package is a stimulant package. It's not large—is it \$30 billion?—in terms of the States. The United States has a population that's 25 times that of Ontario, so if you divide 25 into \$30 billion, it wouldn't be a big economic hit in Ontario. But I think it's partly symbolism, an expression of faith in the American economy and to put money into infrastructure. I think that's the right thing to do. I was pleased to hear him say that he was going to do that, because given our trade with them, if the US economy improves, that can only help us. We're rooting for their economy as well.

Mr Wiseman: Just as a supplementary to this question, I found it rather interesting to read that some of the cities in the United States not only have a six per cent personal income tax but also have a six per cent corporate tax. That's on the city level. I don't know when the people do their analysis of competitiveness and comparative competitive situations, but I'm just wondering if that kind of factor is included or if it's done in the assessment.

Hon Mr Laughren: I'm not sure of that. I don't think so. Just as an anecdotal aside, I was in New York about a year and a half ago doing investor relations. I paid my hotel bill. It was a very modest hotel, I might add. The taxes on my bill were something like 23% or 24%, so that what you see isn't always what you get when you see the ads or when you compare accommodation rates in different jurisdictions.

Interjection.

Hon Mr Laughren: I'm told that no city taxes at all are included in those numbers.

Mr Wiseman: We don't really have the definitive study on competitiveness if we don't take that into consideration.

It was interesting to hear Clinton muse about introducing a sales tax. Given that his situation was \$60 billion out of whack from what was being touted in the United States and that he has all these restructuring problems, moving into skills development and infrastructure development and so on, I'm just wondering, when you look at it, how much his options for the future have been narrowed by decisions made in the past in the similar way that ours have been done and whether we've done an assessment, a real assessment or any kind of preliminary assessment, of what this means for Ontario in terms of what he's doing in the United States.

Hon Mr Laughren: We think it's positive. I don't know how you make some comparisons, but we do think it's positive, both on the stimulus side and on the tax increase side, because on the stimulus side the faster and the stronger the recovery in the US, the better for Ontario, because of our trade, and on the tax side the more taxes that he raises, the more competitive we are. Everything he's doing, I think, can only benefit us. Now, to what extent? I don't know how you can precisely measure that. Does that answer your question? If not, I'll get somebody who knows more than I.

Mr Wiseman: I think it's a little early.

Hon Mr Laughren: It better be.

1550

Mr Wiseman: I just wanted to know in terms of the American market creating more demand for Ontario products and therefore leading to increased employment.

Just to change direction, the deficit is something I'm constantly hearing about from my community. It's interesting that the Progressive Conservative government of Manitoba created a negative 2% transfer to its transfer partners and we continue to hold at 2% this year and then 2% on the base for next year.

Mr Carr: Hold it, it's not 2% on the base.

Mr Wiseman: It's 2% this year and then 2% on the base for this year for next year.

The Chair: Mr Wiseman, the Treasurer will give you the answer; you don't have to listen to the opposition.

Mr Wiseman: That's true.

Mr Carr: You'll get the same answer.

Mr Wiseman: They're too busy apologizing for their federal counterparts. The question I have is about the deficit and how over the years we've seen all these projections in terms of who's going to do what. We see them again. When I started two and a half years ago in the chair that Mr Hansen has now, we were told by everybody that we'd be coming out of this recession in April 1991. We're a little late.

Hon Mr Laughren: A lot late.

Mr Wiseman: A lot late. In terms of putting those into perspective, can you give me some idea of how we've tried to improve the number crunching so that we have a little better and a little more accurate assessment of real growth changes and how we can really get a handle on the deficit? Because these numbers are all over the place and were all over the place before.

Hon Mr Laughren: There are two components here. One is predicting or forecasting the depth of a recession and when it's going to end and also the strength of the recovery. The other, though, is being able to predict things like personal income taxes, retail sales taxes and corporate income taxes. Obviously there's a link between particularly those and the health of the economy as well.

We've been terribly frustrated at the numbers, on the income tax side in particular. I don't believe it's done for reasons that are improper or anything like that. It's just that Ontario put a position to the federal government—maybe about a year ago; I'm not sure—about working with the federal government and the provinces to look at forecasting models to see to what extent we could come up with whether there was anything inherently wrong with our forecasting. Were we doing something wrong? Were they doing something wrong? Because everybody is disadvantaged with the inability to forecast more accurately. Nobody has anything to gain by forecasting inaccurately, so everybody works extremely hard trying to get the right numbers, but it's quite volatile.

I'll give you an example. Corporate income taxes, because of the provisions for carrying losses backward and forward, can be very volatile for about seven years. You can carry forward and backward three and four years on each end. You can have a recovery, but because losses can be carried forward under our tax regime, then you don't get a growth in corporate income taxes even though the recovery is under way. On the income tax side, that's been the most volatile for us, extremely hard to forecast.

I mentioned earlier—and it wasn't meant as a shot—that the federal government predicted what we could expect our revenues would be. We said, "It's too optimistic," and reduced it by \$1.8 billion, which is a lot. Even then we're off the mark. It's really a difficult science. But if you want a more technical explanation—

Mr Wiseman: Dismal science. Isn't that what Malthus said?

Hon Mr Laughren: —I could ask Steve to come up. If you want a more technical response, I'd be quite happy to have Steve take a run at it. Do you want that?

Mr Wiseman: We have only about three or four minutes left and I do have one more question.

Hon Mr Laughren: Sorry, Steve; I tried.

Mr Wiseman: You're off the hook. There are a number of final papers and a number of draft documents that have been completed by the Fair Tax Commission. They have made a lot of recommendations and suggested a lot of changes. Could you give us some kind of status on where the Fair Tax Commission is, and not exactly what will be in the budget, but do we think the next budget might reflect some of the things that it's recommended?

Hon Mr Laughren: Let me start with the status report. The Fair Tax Commission had, I think, eight working groups that looked at different areas of taxation: property tax, wealth tax, taxation on women and so forth. They have completed all but one of those tax studies. The only one that's still to be reported, and I believe it will be within the month, is the working group on wealth taxation, which always causes the Tories to shiver a bit. But that's the only group that has not yet reported. They'll be reporting within the month.

The Fair Tax Commission itself will be coming out with a discussion document which it will take around the province, I think in the next three months, roughly April, May and June, I believe, and will be discussing around the province the total tax regime in the province. It's fine for a working group to study one specialized area of taxation; it's another thing to look at as a whole package. The Fair Tax Commission will be doing that and will be completed, I believe, by early summer. Then it's up to them to conclude their overall report, which comes to me by the end of this calendar year. They have a three-year mandate. They're on target and they're on budget. That's the status of it.

In terms of this year's budget, I have no idea. We haven't approached it that way. We have an understanding with the Fair Tax Commission that it won't be offended if we move in the interim on any tax measures. On the other hand, there are some aspects we really want to look at and some advice they can give us. There is no categorical answer to your question, other than that it's an ongoing process.

The Chair: Mr Treasurer, our time has run out. I'd like to thank you for appearing before this committee again. I understand you spent hundreds of hours preparing some more numbers for the committee. We appreciate your attendance, your staff and the work they've done for this committee.

Hon Mr Laughren: Thank you, Mr Chairman, and I express my appreciation to the staff of the Ministry of Finance because they really have done a lot of work on behalf of the committee. I'd like to express special appreciation to them.

Mr Phillips: The tax material you put up on some of those slides would be useful, I think, for the committee. If you've got any tax numbers from last year—if you remember, in the Fiscal Outlook you had a useful table of tax comparisons and a whole bunch of things. Those tables that you put up on taxes might be useful for us.

Hon Mr Laughren: Maybe I could have a word with you afterwards. I'm not sure what you're getting at.

The Chair: Okay. Mr Phillips, we're going to have a five-minute recess until staff are able to clear, so we don't have any noise in here for the next presenters. We'll come back in five minutes.

The committee recessed at 1558 and resumed at 1611.

The Chair: We'll resume the hearings on pre-budget consultations by the standing committee on finance and economic affairs.

DAILY BREAD FOOD BANK

The Chair: The next group to come forward is the Daily Bread Food Bank. Would you come forward, please. Welcome again this year to the standing committee of finance and economics. I guess you're familiar with the procedures here. I think this is the third year I've seen you here. If you wouldn't mind identifying yourselves for the purposes of Hansard and for the people of Ontario, you may begin.

Ms Sue Cox: Good afternoon. I'm Sue Cox and I'm the assistant executive director of Daily Bread.

Mr Gerard Kennedy: My name's Gerard Kennedy and I'm executive director.

We have made it a part of our business to come before this committee, at least for the last couple of years, because we feel it is important that the kind of bottom lines you hear from organizations like ours be factored into the recommendations you make to the government and the Treasurer.

We, having established a little bit of continuity, would like to relate to you what things look like from the standpoint of food banks. I don't think any of it'd be particularly surprising. We're now dealing with approximately 162,000 people a month in the greater Toronto area turning to emergency food services. That compares to something under 150,000 at this time last year and less than 100,000 the year before. In effect, in the recession period we've doubled the number of people who are coming to food banks. We see now a majority of employable people being part of the group that is having to depend on charitable food in grocery or meal form.

What's different now that is, I think, remarkable enough to try and have grappled with at the level you're going to form your considerations at is that people are going without food regularly for the first time since we've been in business, in the sense that we know that on a consistent basis the food we're giving them is much, much less than they require. That's because there's been a straight-line dilution of the services we have to offer and a very marked decrease in the quality of government services available to the disadvantaged groups we're seeing.

We came last year remarking on some of the features of how that had happened. It has continued such that, for example, within Metro discretionary benefits for people on social assistance have been reduced by the Metro government as a cost-saving measure and have directly affected both the demands on food banks and the general quality of life of people who are attending food banks.

What we've seen is approximately something in the order of \$20 million worth of benefits removed, which is almost the full value of the food we supply. We supply about \$25 million worth of food through 220 outlets as the country's largest food bank, and what we've seen is that, in one fell stroke, the amount of transit tickets and first and last month's rent and cribs, layettes and other types of benefits, essential things that people need that were provided through the social assistance system, have been removed.

In August of this year one of our agencies, the Salvation Army, received a letter from Durham social services and in that letter it said: "The provincial government has made cutbacks coming into effect August 1 in connection with the STEP program. We are no longer in a position to be able to offer emergency services. You will receive a tremendous number more people. We hope you can handle it. Good luck." That was from the administrator of government official welfare for the regional municipality of Durham.

We find ourselves in an extremely awkward position vis-à-vis the kind of considerations you have. I think you'll have other groups that will come before you and commiserate how the money is tight, as it undoubtedly is, will understand an emphasis on creating jobs and on learning what the government sector can do under constraints to do that type of thing, and will show generally an understanding of the tremendous realities the government and the political process in general is burdened with.

We, I guess, have to disagree in the sense of the focus, or what we see happening out there. The burden is not being fairly shared. There is a free fall still apparent at the lower end of the spectrum in terms of what people can expect. There has been very little happen by way of a balanced approach to the recession, to which we recommend as a test of that—what happens to the people who have lost their jobs and have had to turn to official assistance programs?

All levels of government—and we'll be careful to include the federal government in terms of what's happened—have made the equivalent of a dine-and-dash in terms of the cost of the recession. We really don't see the kind of programs having any effect and, in fact, we're seeing some of the programs established before, like the STEP program, being taken away from. There's a program that's supposed to make it easier for people on welfare to be working, which we would find consistent with most of the thrusts from most levels of government. But that program has been rendered ineffective since August last year because it was deemed too expensive, in the context that people are no longer able to keep the money they earn until they've been working for three months. We are collecting data on that, but some of our experience is that people are, in effect, not taking jobs because it requires a

significant sacrifice from them before they receive the kind of extra benefits in the government design. This was measured and undertaken, we understand, to save something in the order of \$200 million in the social welfare system.

Last year we spoke about a social deficit. I mean, there still is an unfunded liability out there. We don't know quite how, and I think we will be trying in more public ways to make the point more adequately, but we have to somehow impress upon you that what we see as average people is not acceptable, that what we see on a day-to-day basis are not the kind of conditions that would say we're doing everything, that we're trying the hardest we can. I don't wish to lay at the feet of this committee or even particularly at the feet of this government that those conditions exist, but it has to rest somewhere. Right now it's resting really uncomfortably with a bunch of church people and people in the volunteer agencies, and the dual problem we have is seeing that, feeling very, very uncomfortable with the little bit of food we can give in response to that and then not having anywhere to take that observation. We basically feel there's been an iron curtain of resistance shut down on the part of all levels of government to do any more.

I think that is problematic, because what is needed right now are programs that do respond to the hardship taking place out there. People have less money now to buy food on welfare than they did in 1975. Those are factual things. There are more people having to pay food money for rent than there have been at any time since those statistics were collected, because of the high cost those families come in with. So it is neither honest nor a point of comfort for the government or for other members to believe that we're doing the best we can. The circumstances have changed, worsened, and the government with its rationale and its constraints and so on has unfortunately not grappled with that, or has not admitted that people on assistance are not being well provided for as they were in the past. That is the simple fact of the matter. It's somewhat incontrovertible. Those are government statistics that would support that.

Our own data show that people have less money left over to buy food for about the third year in a row, and in essence we're disturbed that the basic issue of defining the government's responsibility so community groups like ours can get on with adding to it, has been erased entirely off the government agenda.

There used to be a lot of talk about how much money people got on assistance, and whether that was viable, and whether that was saleable, and whether that was what people would support. I think that in the face of the deficit monster, you know, talk has been scared right out of the room and I think that's very, very unfortunate, because if we had a sign to leave a message with you, it would be—not intending to be sarcastic—along the lines of Bill Clinton's sign and it would say "Adequacy, stupid." There really is not enough money for people on assistance. We know it's not popular to say that, but it is true and it is the basic building block under which any other program that would hope to improve people's circumstances would be built on. If there is not a consistent program to stabilize

people and if there is not a commitment from the government level to make that threshold investment in people's circumstances that they can pay their rent, buy enough food—because then those other programs are much less likely to succeed. The risk we would reiterate is that the 13% of the Ontario population on welfare today could, like the 5% of the population on welfare in the recession, find itself resident there because of the lack of timely intervention.

1620

That has got to be the single biggest horror story we could face as an outcome from this recession, that what happened in the last recession could be repeated: welfare rates did not go down after the recession, they went up. They went up because people were remaindered. They were not happy to be on welfare, they were just less employable by the time the dust settled. I think we're seeing a repeat of that right now. We're seeing much more educated, much more employed history types of people who are finding themselves on welfare and in the food bank lineups.

We're very fearful that those people are deteriorating. Our own people who we encounter—the surveys we are showing are a higher incidence of people showing sickness and other things creeping into it. We can't give you a total quantification of that, except to say that risk is there and if you want to really see it fed back to you, just look at what happened in the last recession. The welfare rates and numbers did not come down. Welfare was not made more attractive or more effective until 1989, so that was not the draw. It was simply that people who no longer were counted as employable ended up somewhere else.

The lack of focus today on adequacy and what that can contribute to an overall strategy of taking care of this recession in human terms—we wonder if we're in the same room or in the same province, for the lack of attention that's getting today. We really can't commend the government for its focus on things like welfare fraud, we think that's simply a means of avoiding the basic question. We really don't have a lot of regard for the latest talk about putting people to work and so on. If you provide the jobs, we'll provide you with the people.

We can give you thousands of people if you have jobs or training opportunities or, indeed, volunteer opportunities. It is presently illegal to volunteer if you're on welfare or UIC and looking for work, and we still have people who do that. I think the discussion still has to be somehow brought to bear where the government makes an official assessment of where adequacy is. As embarrassing as that could be, it still would at least line up for the community what the challenge is. I think there is a problem developing out there and it's undercutting the confidence in even programs like ours, that somehow this thing is taken care of, that our programs are overly rich, that they are a primary source of our deficit difficulties and all of those things. Rhetoric is in effect undercutting the support the government should be seeking for a properly balanced recovery package and also undercutting, as a byproduct, the support for programs like ours. I think we're going to see more of a boomerang and more of a backlash as this recession continues in terms of people's generosity.

The last point we'd like to leave you with before asking for any questions you may have is that right now, though, our sense of where the public is at is that they're extremely supportive of the people in difficulty, that this is where people are at. We see that expressed. I share with you a survey of 11,000 out of 200,000 people who participated in our last food drive. They filled in surveys at the back of the bags. Some 70% of them said that you guys are responsible for putting us out of business, for solving the problem. They still believe and trust that government is responsible. The next emphasis, of about 20%, is on the people themselves, then on business and then on food banks, in the 6% and 7% categories.

So even the giving public, which you think might have a different look on things, doesn't. They don't hold us accountable for solving the problem; they suggest it is a government problem. They believe the hunger problem is extremely serious and they want us to be focused more—that is, the food banks—on the causes of hunger. We are going to try and do that.

You will hear, if it makes a little bit of noise, that we will be doing that in some significant way, changing our programs from a simple food program to more food information and advocacy programs, things we think are necessary to affirm, unfortunately, on a day-to-day basis, the viability of government programs. We see, as some of the will seems to be missing from the leadership—at least, that's the impression—the day-to-day function of government programs has become more and more difficult, more and more adversarial and we're much more likely to get people because of government mistakes and lateness and so on.

We can't underestimate, or at least we recommend to you not to underestimate, what can be accomplished in terms of at least a commitment for some kind of preference, some kind of place being acknowledged for people living in poverty, people struggling through this recession. Obviously, in the contexts of your deliberations, to give that kind of place any meaning has to be backed up by dollars. We come without a lot of specifics besides the focus on adequacy, because we think the many things that could be done are all going to be regressive, in a way, if adequacy isn't part of them. I leave you with that basic consideration and invite any questions you might have.

The Chair: Mr Carr, three minutes.

Mr Carr: Thank you very much for your presentation. I was interested in getting to the bottom of the problem, as you know. A couple years ago—we just finished talking to the Treasurer about it; I don't know if you were here during that—we spent about \$2 billion on social assistance. This year, it'll go to about \$6.2 billion. A couple of weeks ago, on a Friday, I got a call in my constituency office from a lady who works in the region getting out the social assistance cheques. She used to be on social assistance. She tells me that she actually, all things included, made more money when she was on social assistance and wanted to come forward and was complaining to me, as her MPP. She obviously can't come forward because she works at the region and was concerned about her job.

What you talked about was a case of some people can't take any jobs because it's illegal and they'll lose the money they're getting. One of the concerns we've got is how we get people back in the workforce. This government has come up with the Jobs Ontario Training, where it basically will put some programs in place to give some employers money so they will train people on social assistance to get them the jobs. What you seem to be saying is we should be spending more money on social assistance. We've done that and the waiting lists keep getting longer and people get more frustrated, ie, this lady who now works for the region.

You talked about STEP. The Jobs Ontario Training program—are you in favour of that? What can we do to make sure we reduce the number? Quite frankly, we pump more money into it and more people go on social assistance. We need to stop looking at the amount spent in it, because everybody agrees that's what most people want, to get off social assistance. Is there anything else we can be doing? Are things like the Jobs Ontario Training program going to work and, if not, is there anything else you can suggest?

Mr Kennedy: Jobs Ontario Training—it sounds like a good program, what we've seen of it. Some 70% of the people using food banks say the training program would help them stop using food banks. It doesn't mean it would fix their life, but it would do that. Only 1.5% are currently in a government training program, so there's an obvious gap there and when only one in 50 who wants the program has access to it—we're now trying to find out the reasons they don't have access to that.

Mention was made of benefits. I think we have to take welfare benefits—and it is a huge expenditure of some \$6 billion this year, and now on an unfairly shared basis between the federal government and the province. That really should be taken into the realm of some kind of objective context. In other words, I think the first responsibility of a parliamentarian should be knowing: Are those rates adequate or are they not? We had a federal member of Parliament who quoted the wrong rates for a month in the media and was never challenged. Those are not the accurate rates that Barbara Greene was speaking of. The situations may differ, but I think there was a recommendation in the SARC report that should be important to us now, because I think those kinds of questions end up being both sides of something and they don't contribute very much unless we know the answer.

Mr Carr: You know why that is—

Mr Kennedy: Having the adequacy laid out there so that it's not confusing, so it is clear-cut. But STEP was taken away from this year. For some people in some classes, they indeed would have made less money for the first three months and then it would have kicked in. So they were required to have that job, to keep it for three months, to be in a worse-off position and then to get their deductions under STEP. That was to discourage more people from joining the welfare system.

The Chair: I'll go on to Mr Marchese.

Mr Rosario Marchese (Fort York): Gerard, I'd be interested in your reaction to what seems to be very generally

felt out there and how we deal with that. A lot of people believe that many people on welfare simply are there to cheat the system because they don't want to work, and a lot of people believe that what we're building within the welfare system is a dependency from which very few will get out. What people are saying is, "Don't give any more, give less, because it's probably the best way to start getting people back to work."

I know you don't agree with that, but that's the typical kind of reaction. Everybody knows a cheater out there. Everybody you talk to in the constituencies from all parties will say, "I know a case, possibly more, of a couple living together but not living together benefiting from welfare, receiving income as people living apart but they're really together." There are a number of instances of people that people give where they are cheating the system. What is your reaction to that? How do we deal with that perception of the problem?

1630

Mr Kennedy: I think first of all there has to be an equal counterperception, at least equal, and no one is putting that forward. I think it is the government's job. Can you imagine if you were running the tourism ministry and you said, "We do a really bad job at tourism and we're sorry," or if somebody said, "You're wasting a lot of money on advertising dollars," and they just say, "We don't know how much money is being wasted and we can't find out"?

The typical response, at least from certain municipal governments, when welfare fraud or that kind of thing is brought up in a public context is to say, "Here are some cases we've prosecuted," and to confirm that suspicion on the part of people. They opened up a welfare fraud line in Metro. They got 600 phone calls. Only 100 of those people were on welfare. Only 20 of them were worth investigating. Only 10 of them were actually in a situation where they could proceed. So there were 10 out of 600 for a line picked up to deal with fraud.

I think it is the job for parliamentarians to know what the actual thing is. People sell health care joyfully. They talk about its benefits. People don't do that with social assistance. We don't talk about what it is and what it is there for. Because it's unique in the sense that it gives grants to people, this is the time really to talk, during the recession, and to have some leadership from elected officials to say what those programs are for, because we are going to lose that public support.

The most disturbing thing is to see governments playing right along with that because frankly the anarchy you see out there as this happens—13% of the people who use the food banks say they would steal food. That's a small number perhaps, but that's 13,000, that's something like 20,000 thefts of food a month that would be taking place. People said they would protest. People said they would pressure government. People would go hungry. Those are the kinds of social outcomes that are there and that the welfare system is preventing.

It's unfortunate that we have to come and complain, because we see what the alternatives could be. But on that somehow, some kind of program of asserting what that is

for and some kind of program where the government is able to say exactly what kind of abuse is taking place as opposed to going along with vague notions that are out there, those I think would be very strategically important at this time.

Mr Monte Kwinter (Wilson Heights): Mr Kennedy, thank you for appearing again. I'm somewhat disturbed by your report in that certainly it seemed to me that the concept of the food bank was that it was to be a temporary measure during tough times. The present government stated that one of its priorities was to eliminate food banks. From your report, I get the impression that instead of its being eliminated, it seems to be getting institutionalized. Statistics Canada has stated that the recession is over and yet your figures seem to be pointing the other way. Do you have any comments on the remarks I've just made?

Mr Kennedy: We're trying to encourage a fresh look at things in the sense that we don't think people should be hungry just because there are less jobs and because welfare is problematic. There's no natural reason to explain why food banks should be there. We would like to encourage the government—and maybe this committee can make a recommendation—to reconsider its backing off of its promise to eliminate the need for food banks.

I think we have to have some social goals in this province alongside economic ones. We're disappointed to think that that goal has been put aside so quickly, because we think that a food bank does not mean that someone has to take charitable food; a food bank means that alongside of charitable food people go without, 80% go without food. That's what a food bank means. Accepting a food bank as a condition in this province means accepting hunger. It means that little kids don't get adequately fed. They have white skin—you can tell them a mile away—and they're out there in the thousands. That's what that means. That's what we want for people in this government to reassociate themselves with getting rid of: the need for food banks.

We really find ourselves struck when we try to prepare ourselves for committees like this. How do we make that point, that this is not an inevitable thing, that even though we pay more money for people on welfare, we're paying less per person, and if we're going to pay less per person, then per person they're going to have less money for food and there's going to be hunger? We'd like some official body, like the government or committees of government, to quantify that. That somehow has to be available to the average citizen, because we're not getting a positive dialogue around this kind of thing.

We think that if we're back here this time next year and nothing significant has changed, you may see a little white flag up here that says, "Food banks are permanent," because really the alternatives that we're faced with on a day-to-day basis are reaching that point. That's why we're about to announce a one-year program to try to prevent that, but there's only so much we can influence. The government opened up with what we thought was an applicable promise, to eliminate the need for food banks in the course of its term. We don't think it had any right taking that off the table in its first six months and we'd like to

encourage all the members of all the parties to get it to put it back on. If we can't do that, what are we going to get accomplished socially in the next three or four years?

The Chair: Okay, Mr Kennedy and Ms Cox, thanks for appearing before this committee today.

Mr Kennedy: Thank you for hearing us.

The Chair: Have a safe trip home with the weather the way it's out there.

ONTARIO ASSOCIATION OF
NON-PROFIT HOMES AND
SERVICES FOR SENIORS

The Chair: The next group to come forward is the Ontario Association of Non-Profit Homes and Services for Seniors. I'd like to welcome you here before the standing committee of finance and economic. We have until 5 o'clock. If you don't mind identifying yourselves for the purpose of Hansard and for the residents of Ontario, you may begin.

Mr Michael Klejman: Thank you very much, Mr Chairman. My name is Michael Klejman. I am the executive director of the Ontario Association of Non-Profit Homes and Services for Seniors. I bring regrets and apologies from our president, who is ill today. I'll try to stand in both for her and myself.

You have before you copies of our submission. This is our second year to appear before the committee. I recall from last year's appearance that we were a little apologetic, noting that we are not an organization that brings a lot of financial and macroeconomic expertise but that we do look at issues that affect the seniors in Ontario and the non-profit sector that provides services to them.

We are pleased to have this opportunity to appear before you to talk about the direction for the provincial budget in the coming fiscal year. We represent some 250 non-profit organizations, both municipal and voluntary, which provide services to seniors. Our membership includes homes for the aged, seniors' housing, non-profit nursing homes and community service agencies. Altogether, we serve well over 10% of Ontario's seniors.

Our members are funded by provincial grants from the ministries of Community and Social Services, Health and Housing. They also collect fees from seniors using their services, receive grants from municipalities and fund-raise to meet their obligations. It may be of interest to the committee to note that our members received about \$350 million from provincial ministries in 1991, at least \$62 million from municipalities, \$233 million from client fees and another \$16 million in charitable donations.

Our members are currently in the midst of trying to cope with significant shifts in care levels, particularly in facilities, while all the funding sources are severely constrained. We are also very apprehensive that the redirection of long-term care will lead to serious deterioration of the quality of care in many of our facilities. While we applaud the government's efforts to introduce a fairer funding system, what we are seeing is a system which will, in reality, transfer the current underfunding from some facilities to others. It'll result in a significant shift of provincial

dollars over the next few years from the not-for-profit sector to the for-profit nursing homes.

In our presentation I'd like to address some broader fiscal matters and then speak about more practical financial matters related to our sector, keeping in mind of course that in all the comments we're looking at primarily how our sector fits into the broader budgetary and economic issues you are looking at right now.

We recognize and applaud the government's efforts to stimulate the economy and to reduce the hardship Ontario's citizens are facing due to job losses. We urge the government to include in its job-creating initiatives capital projects for homes for the aged. There are, in 1993, over 1,00 ward rooms in homes for the aged, thus affecting at least 4,000 residents. We find it unacceptable that people are still forced to live without the basic right to privacy. Keeping in mind that 63% of seniors in homes for the aged are over 80 years of age, we strongly urge the government to include upgrading of those facilities which have ward rooms.

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This province can look at its mix of cultures and ethnic groups with a fair degree of pride, particularly when we consider the conflicts and strife in so many other places in the world. We should not be complacent and must be vigilant to deal with racism and discrimination. There are clear examples of this government's policies which show sensitivity and responsiveness to ethnocultural issues. The commitment of 660 nursing home beds to multicultural non-profit groups is one such clear example. It is unfortunate, however, that now, some two years after the allocation was announced, very few of these beds are anywhere near being opened. The simple fact is that most of these groups are faced with years, if not decades, of fund-raising efforts to come up with the \$60,000 to \$100,000 per bed they need to build these facilities. The province, meanwhile, takes the credit for supporting multicultural groups while pocketing about \$11 million each year these homes are not in operation. The degree of frustration and cynicism among these groups is significant as they struggle to realize their dreams.

We urge this committee to consider one-time grants to these groups, matching the funds they have already raised, to assist them with their long-sought goals. Keep in mind that such grants would establish the province as a partner of these facilities, thus retaining the funds or value of those funds in public hands.

Shifting to another area, we would like to address the relationship between two of the basic functions of the government. Governments are entrusted with the responsibility to protect their citizens. To accomplish this, measures like setting safety, health and environmental standards are often taken. There is a direct relationship between the government's role as the regulator and the policymaker and as the funder. When we look at the government's initiatives in the past several years in the areas of workplace safety, labour relations and employment practices, we must ask who will pay for all these expectations.

We want to be clear that we do not oppose these changes; however, we do want the recognition that these

well-intentioned changes have a direct cost impact on our member agencies. We object to the imposition of these new requirements without adequate financial support because in the end it is the seniors who will pay through the lowering of quality of care. The most recent change of this kind is the exclusion of third-party annual medicals from OHIP coverage. You may not be aware of this, but all homes for the aged are obliged by law to require a medical statement from every staff person they employ every year. Under the new regulation, the homes are to absorb these costs within their budgets, which are already stretched to the breaking point.

Moving on to more microeconomic aspects of the provincial budget, we will focus specifically on long-term care issues. Citizens of Ontario were sold on the idea of a radical overhaul of the long-term care system, beginning with long-term care facilities. We were promised a system that would be based on the principle of funding the care and needs of residents in facilities, and not facilities themselves. It is now becoming apparent that the reform of facility funding will essentially be a redistribution exercise. If our prediction that the anticipated \$150 million in additional resident revenues will not materialize is correct, then the reform will simply turn into a shift of provincial funds from non-profit homes for the aged to for-profit nursing homes.

It is worth noting that last summer a government-constituted task force developed a budget for a hypothetical 100-bed facility which would meet the expected standards of care. This facility's projected per diem was about \$120 per resident. This effort was then terminated by the government and the group was asked to figure out how to allocate a per diem of \$90 per day, as this was what was available. As I noted in my earlier remarks, there has to be a correlation between what the government expects as outputs, through its standards for care, and what it is prepared to pay for.

Finally, we wish to draw the committee's attention to the serious inequity in the treatment of residents in homes for the aged. There are nearly 4,000 residents in homes for the aged who, although holding valid extended care certificates which make them eligible for OHIP coverage of their costs, are forced to pay the full costs of their care. This inequity results from the provisions which enable the Ministry of Community and Social Services to designate beds in homes for the aged as either residential or extended care and then permit conversions to extended care at its own discretion. Over the past several years this discretion has been refused, although everyone agrees there is a definite need for it. This situation is reflected in the fact that nearly 60% of all charitable homes for the aged in Ontario are in deficit and are carrying a total deficit of over \$16 million, of which the province funds currently only 57% in spite of its long-standing commitment to fund 70%. Thus, some of these groups are literally on the ropes and we have witnessed six charitable homes closing their doors due to financial burden.

We ask the committee to urge a review and lifting of the freeze on bed conversions, particularly since the province already funds about 57% of these costs. This action is

even more critical as we see continuing delays in the implementation of the new system.

It is disconcerting to note that the province, while loudly complaining about the impact of federal capping of its transfer payments to Ontario, has employed the very same measures to cap, first, municipal homes in 1989, thus shifting a much greater cost to municipalities, and now this year has capped special grants to charitable homes as well.

In conclusion, I'd like to highlight key points of our brief. We urge the committee to include the retrofitting of homes which still offer ward accommodation as a priority in its effort to stimulate the economy through capital projects.

We urge the committee to strongly recommend that special matching capital grants be provided to multicultural groups which were awarded nursing home beds.

We ask the committee to insist on establishing, as a principle of costing and funding, the compliance with new provincial legislation which affects operations of transfer payment agencies, including municipalities.

We urge the committee to support the principle of fair treatment of residents in homes for the aged by honouring valid extended care certificates and, finally, we ask the committee to recommend suspension of capping provisions imposed on homes for the aged. Thank you very much.

The Acting Chair (Mr Johnson): Thank you, Mr Klejman, for your presentation. We have approximately six minutes per caucus and we're going to start with the government side. Mr Marchese?

Mr Marchese: I want your opinion on our long-term care initiative and how those initiatives fit in with some of the recommendations that you're making, if they contradict each other or if, indeed, in going through this process, some of these questions might be dealt with down the line.

Mr Klejman: One of the issues you raise with respect to bed conversions will, in the long run, be addressed. One of the concerns we have is that the date of implementation keeps on shifting back. We were all working initially towards January 1, 1993, implementation date. Our latest formal indications are some time in the late spring, possibly as late as June. Informally, from bureaucrats, we hear we're looking at the fall. I suspect now we'll probably be as late as January next year. Meanwhile, these homes are piling up deficits.

The reference to \$60 million means that some of the homes have been accumulating their own share of deficits now for five or six years, and they're having problems with their banks to even sustain current operations. This is why we're asking for the conversion provision to either be retroactive to January 1, 1993, or at least implemented immediately to take off some of that pressure. There are many charitable homes right here in Metro under this burden.

Mr Marchese: Can I ask again, on the long-term care in terms of one of the concerns you raised about ethnoracial groups, do you have a sense of how the long-term care might benefit those communities that have different linguistic and cultural backgrounds? Would they benefit? Would they not benefit? Do you have any concerns about it?

Mr Klejman: Yes, we do. I could spend a long time talking about some of our concerns. The major concern is with the concept of placement coordinator function that is clearly spelled out in Bill 101, which one of the other committees of the Legislature is currently holding hearings about. That takes away from seniors who are in need of facility care any ability to choose what facility they want to go and live in, which may result in the pressure of basically having to take the first bed available rather than choosing a bed in that setting in an organization that has the proper language, religious or cultural environment the person's looking for, so there's a real concern around that.

The other concern is the issue of tying funding to care levels. There is no reference in the bill whatsoever to tie the levels of care to the kind of funding that will be provided down the road. In essence, we measure levels of care to divvy up the money currently available, but not connecting it to how much it takes to provide the care.

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The Chair: I have to go on to Mr Kwinter.

Mr Kwinter: Mr Klejman, I wish you could just elaborate on one of the points you've made, your contention that if the government doesn't address some of your concerns, it's going to tilt the balance and there's going to be benefits for the for-profit operators.

I have had several representations made to me by the for-profit operators who've come to me saying that, in their opinion, the government policy is going to put them out of business and that there is a definite sort of thrust by the government to get rid of the for-profit operators. How does that square with your particular position?

Mr Klejman: That may be the case in terms of impressions, but the reality of the new system that is about to be introduced is that the for-profit sectors tend to gain \$191 million in additional funding. I want to make it clear that we do not oppose the idea of providing additional funding to nursing homes, because the residents in those facilities need it. But what is so disturbing about this transfer of funds isn't the additional funding that's being injected into the system, what we're going to see in the next two to three years is a shift of what money is in the system from the not-for-profit to the for-profit sector. It's a reallocation, primarily, of current dollars, rather than an assessment of how much money is needed and then putting money in from the provincial coffers.

I have no concerns at all—and I would support an effort to provide more funding to residents in any facility that is currently underfunded. There are many not-for-profit homes that are underfunded, but it's not being done in a way we would expect it to be done.

Mr Kwinter: Thank you.

The Chair: Mr Kwinter, you still have some time.

Mr Kwinter: No, it's okay.

Mr Carr: Thank you very much for your presentation. I want to talk non-profit housing in general. I don't know if you had a chance to take a look at the auditor's report of this year, but pages 125 to 136 are a very scathing condemnation of non-profit housing.

I'll give you just a couple of examples, and this isn't me saying it, it's the auditor saying it. They talk about how need and demand studies were not done, despite a significant decline in land prices. The cost went up; 25% of the projects lack review of the operating budgets and they close by saying—and again this is in general for non-profit—multiple waiting list and inconsistent placement criteria and referral practices made it unlikely that those needing affordable houses will be treated consistently, equitably and efficiently.

You may have heard today the Treasurer comment and say that we're in a crisis: revenue is down and costs are going up dramatically. We're in a situation where we might not even be able to get any more credit around the world. Having read the auditor's report on non-profit housing and considering we're spending a tremendous amount of money, the question I have for you is how can you come in here and ask for more money when you take a look—recognizing that there are some differences when the auditor, not me, not anybody else, is saying we are literally wasting hundreds and hundreds of millions of dollars?

Mr Klejman: Just to clarify, it probably wasn't that clear in our presentation. When I make references to long-term care facilities, I do not include housing.

Mr Carr: I appreciate that.

Mr Klejman: The second comment I have with respect to non-profit housing—it's been Ministry of Housing policy for the last two years at least, if not longer, that seniors are not a top priority. Therefore, very little of the funding and unit allocation in the past few years has gone to projects which are strictly seniors' geared. The needs that have been identified are in the other sectors of our community.

I can tell you from my own experience that every seniors project that has been able to come on stream has been filled. Many of them are self-funded, many of the seniors projects our members have developed have received no provincial funding because of the Ministry of Housing priority.

So although I cannot speak about the non-profit housing in general, I can tell you that from what I see about seniors' housing: First, the demand is there. Anyone looking at demographics in this province sees it as a very obvious trend. Secondly, I think there is another advantage to looking at seniors as a target population for housing. We're releasing single-dwelling housing to make it available to families having a hard time acquiring new housing these days. It may also reduce the pressure and facility services if we can provide housing settings for seniors with some onsite services.

Mr Carr: I appreciate that because as I mentioned earlier, I understand that. What I was getting at is the principle of non-profit housing. You talked, for example, of the Halton regional non-profit and they say, "Oh, yes, It's terrible, but we're okay."

What I'm talking about is the principle of government-run where they basically are supposed to have controls in place that are not there. When you take a look at and see where the money is going, the worst part about the whole

thing—and I appreciate you saying that isn't happening with seniors—is that the money is going to these groups. These consultants pushing these things through are the ones making tremendous amount of money and, to coin a phrase, there is a lot of profit in non-profit housing right now. So I appreciate that.

What I was getting at is, when the government gets involved it says, "Well, of course, we put controls in place." The auditor says there are absolutely no controls in place and the same principle applies for you and I appreciate you saying: "Well, it doesn't happen with us. We're efficient and so on."

I want to tackle another bigger issue. Again, you've heard about the financial situation we're in in this province and the Treasurer has asked very specifically again today: If we're going to fund other programs where are we going to get the money? Have you thought, within the revenue of the provincial government, which is now \$10 billion, maybe more, in debt—and that doesn't include Ontario Hydro; that doesn't include the unfunded liability of WCB; we're in a real crisis here—where are we going to get the money to pay for some of these programs for seniors?

Mr Klejman: Actually, maybe I'll be kicking myself for not making sure it's in our brief, but there is one area we have been advocating the government to reconsider in its approach to long-term care reform and that is the shift

in determining resident contribution, client contribution to be limited strictly to income.

We believe there is a potential, and certainly feel comfortable in advocating, that assets of seniors considering coming into facilities be included in calculating their ability to pay for their care. We have many examples, and I'll be glad to provide them to the committee, of some of our members who have determined the asset levels, whether it's property—property may have been passed on to family members—that may be available at certain point to be made a claim upon by the province or a facility on behalf of the province to cover some of the costs of care. As the redirection of long-term care currently defines, it excludes consideration of any assets from determining the consumer's ability to pay.

The Chair: Time has run out and I'd like to thank you for appearing before this committee today.

Mr Klejman: Thank you very much.

The Chair: Have a safe trip home. Mr Kwinter, I'd like to pass on to Mr Remo Mancini on giving up this room for this committee today. I hope you pass that on to him. This committee is adjourned until 10 o'clock tomorrow in room 228.

The committee adjourned at 1658.

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finance and economic affairs**

Pre-budget consultations

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mardi 23 février 1993

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 23 February 1993

The committee met at 1005 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): Good morning. We're going to resume our hearings on pre-budget consultation in the standing committee on finance and economic affairs. It's Tuesday, February 23.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

The Chair: The first group to come forward is the Ontario Association of Children's Aid Societies. Would you come forward, please? We have until 10:30 for your presentation, if you can at the end of your presentation leave some time for questions of the committee to ask.

Ms Mary A. McConville: I'll do that. As you can see, I'm not a group. My name's Mary McConville. I'm the executive director of the Ontario Association of Children's Aid Societies. I had intended to be accompanied this morning by Mr Ron Edwards, who is the past president of the provincial board, and also Mr Mel Gill, who is the executive director of the Ottawa-Carleton society, but the weather has kept both of them away.

You will find in your packages—they're being distributed—a copy of my remarks, a copy of a press release which went out upon the occasion of a conference of all of the local directors of child welfare in December, and also some fact sheets which, in fact, were sent to all MPPs in the province in the fall. Some of you may be familiar with the contents. I also have with me, and it's also in your packages, the remarks of Mr Mel Gill which I will not read to you this morning but I would like to make a couple of comments about before I finish.

The Ontario Association of Children's Aid Societies appreciates the opportunity to appear before the standing committee once again. Children's aids continue to experience tremendous service and financial pressures due to the increasing casualties of the recession and the economic restraint policies of government.

There has been considerable discussion in the provincial Legislature this fall about the difficulties of children's aid societies and I think by now most members are aware of the problems in a general way and perhaps aware that the funding formula for our services is completely ineffective and irrational, which is one of the historical roots of the problem.

You should also be aware at this present time that despite what was stated in the House there are no negotiations occurring between this association and the Ministry of Community and Social Services for the stated purpose of arriving at a new funding formula for children's aid societies.

When we appeared before you last February, we were reeling from Mr Laughren's announcement of a 1% eco-

nomie adjustment to the major transfer payment sectors and weeks later were shocked to find that the specialized children's services which serve children at risk would receive only a 0.5% increase. We have yet to receive an adequate explanation for this disparity and question as to why vulnerable children in this province bear an even greater burden as the government struggles with some very tough decisions.

Much effort is being put into the development of a policy framework for specialized children's services in the province at the moment, and service providers such as ourselves and consumers welcome these developments, but the progress is agonizingly slow. The thrust of the policy exercise with respect to specialized services for children, like child welfare, is to better integrate and coordinate service delivery. Although this is necessary, it will not address the real problem that we face today and indeed have faced for some time. Casualties increase during tremendous economic stress and this is not the time to reduce resources to children at risk. The cost to society will only be greater down the road. Ontario's families continue to experience increasing financial uncertainty, family breakdown and family violence. Children suffer the most in these circumstances.

The government's long-term agenda for children, as expressed through the Premier's health council and the interministerial secretariat for children and youth, holds real promise for the future through prevention strategies which will reduce dependency on safety-net services. But the fruits of such labour will be very long coming indeed.

The children of the province meanwhile must have first call on the resources of government. We have a collective duty to protect and support especially those in most need. This has not been a good year for the vulnerable children of the province, and I would like to describe to you briefly what has happened to the services to protect children at risk since we spoke with you last: firstly, the 0.5% increase to base budgets, which has fueled children's aid societies' staff reductions which now stand at 175 lost positions; a 0.5% increase to base budgets has also required children's aids to reduce preventive, treatment and protective services by \$13.4 million.

1010

The following represent just a few of the rather drastic measures that have had to be taken in order to manage within ministry allocations: The Peterborough society shifted to emergency services only for two weeks in the summer of 1992; the Kingston Children's Aid Society has had to reduce work hours and pay in order to control the budget; the Waterloo society is no longer providing services to teens at intake; the Halton CAS has had to close a play therapy program for high-risk and abused children;

and, the London Children's Aid Society has dropped one entire protection team.

We are finding it increasingly difficult to support crown wards through their post-secondary education because of budget constraints, and many of our foster parents, the very backbone of our parental responsibility, have been given no increases to cover the real costs of caring for your children. Despite a significant adjustment to their rates in 1989, we continue to lose ground with respect to bridging the gap between our foster care providers and those who provide private home day care or who service the government's YOA system.

In the past year, since we spoke to you last, there has been no progress in the negotiation of a new funding methodology for the child welfare sector, there has been no progress on disentanglement or moving to 100% provincial funding, and there has been no adequate financial response to the recommendations of legislated child welfare reviews which exist for the purpose of examining the adequacy of the base budgets of societies.

The government has in addition, through a cabinet decision, reduced the amount of funding available for exceptional circumstance reviews—that's our safety valve—and capped this financial assistance at \$12 million for 1993-94. There are plans to reduce it further to \$5 million in 1994-95. The 1992-93 ECR settlements, which are estimated at \$17 million, are fiscal dollars only and much of those costs we know will be there next year.

It is essential that the government reflect a high priority for services to children at risk through adequate funding and a rational funding formula that is based on a clear articulation of the legislated mandate, including the regulations and the standards established by the ministry and our service delivery partners. This new funding formula must also consider the definition of core services, workload standards and the real cost of providing services to our clientele. In the absence of such a formula, I don't believe it's an exaggeration to suggest that arbitrary and misinformed decisions will continue to be made about an essential service to the children of this province.

We have been promised for three consecutive years a serious cooperative effort towards solving the funding problem. We are stalled as the ministry engages in crisis management and focuses on integration and restructuring of services. These policy efforts are vital and we actively support them, but they need not forestall progress on resolving the particular problems of this sector.

In summary, we do believe that the vulnerable children of the province require a service system that will prevent abuse and reduce risk; intensify services to children in their homes, not reduce them; and, support well-trained, adequately compensated foster parents in their home communities.

To achieve this, we support the development of the interministerial strategies that are aimed at creating comprehensive services. We should have a special fund and a policy that promotes and supports broad-based prevention efforts in local communities. We also require a legislative committee review of the services to children at risk.

With respect to the particular responsibilities of children's aids, the government must negotiate a new flexible funding

formula to support the system, take 100% funding responsibility for the provision of services, and increase funding to CASs by \$22 million for 1993. Without these additional funds, further cuts to service will be necessary and we will continue to erode our capacity to protect children.

I'd like to turn, just for a few minute or two and then I'll leave you time for questions, to Mr Gill's remarks on this attachment that says the children aid society of Ottawa-Carleton and the impact of cost constraints. Mr Gill begins his remarks by talking about a death in early January of a six-month-old baby, a baby who was shaken and experienced brain damage. The baby is not dead, excuse me; the baby lies comatose and on life support systems and may well not last. The child also had broken ribs, several fractures and brain haemorrhaging. Mr Gill goes on to say that the society had received a couple of months prior to this incident a complaint about the child having been left alone by its mother. Although there was an investigation, Mr Gill notes that it wasn't the most thorough and in fact they were unable to establish the level of risk. He suggests that in the past this type of complaint would have gotten more attention and more resources from the society.

I feel this is a very risky statement for Mr Gill to make. I think it takes a lot of courage to make it. My comment here is that he is not suggesting that there is a direct causal relationship between the severe trauma to this child and the society's process around investigating. But what he is saying, and it must be said and I know people have difficulty listening to it, is that you cannot squeeze a system of mandatory services like child welfare in the way that it's being squeezed and not expect that this squeeze is going to affect all aspects of the service, including the most essential ones like the investigation that occurs around complaints at the front end of the service.

To use an analogy, perhaps what is happening here is, as societies continue to feel enormous stress in relation to the demands at the door and the resources they've got to work with, that a form of triage is occurring, if you want to use that word, the kind of word that's used in hospital emergency rooms. People are trying to assess risk and clearly have to attend to the greatest risk first because those are the resources you have.

He's suggesting that either cases will not be opened at all or perhaps could be put on a waiting list, that on the face of them do not look to be that serious. Those kinds of human judgements which have to be made when your resources are severely strained are made every day by society personnel in this province. It's a very difficult job. The economic restraint problem affects all aspects of the service, including the front end, once again.

The other problem that he points to, which I think deserves some comment by me, has to do with the third paragraph where he talks about a key method the society has used to try and manage its budget and live within the ministry's allocation once again. This society has eliminated some 65 staff positions, or 10% of its personnel, largely through the elimination of group homes or residences for children. These children have either been moved to what we call the outside paid sector or private operators who in fact often charge far more money for

their services, and these services are often out of local communities, or they have been moved into foster care.

He points out here that these moves were not planned moves; they were made for budgetary purposes. Moves of children should not be made for that purpose. They are destabilizing and they are traumatizing and yet this kind of impact, even on the children who are presently in the care of societies, is happening daily across the province and will continue to happen as we work with a totally irrational funding formula that rewards societies for placing children in private operator group homes outside their local communities and penalizes societies for running their own services, including foster care in the local community for those children.

Very simply put, the funding formula discriminates, in our view, against the support for foster care which is a family-like setting for children and rewards the high cost of outside placements.

1020

I'd like to move just to another couple of remarks that he makes. He talks on page 2 about some of the standards that are in place, regulatory standards around investigations and placements of children, for example, and he is pointing out that his society, and I know that it is not the only one, is going to have significant difficulty meeting the standards both with respect to the investigation of abuse and also with respect to the development of plans of care for children.

With regard to the latter, there is a persistently disturbing level of non-compliance around the development of plans of care. The plain fact of the matter is, there isn't enough staff time to go around, to do a good job of developing a plan of care and placing a child properly and supporting a foster home placement or a group home placement such that it doesn't break down.

The last thing I would say with respect to pressures is that children's aid societies have an enormous difficulty absorbing many of the uncontrollable costs they in fact have to absorb without some relief, and when 80% of your budget or more goes to the cost of children in care and salaries for staff, you can see how little room there is to work with if one has a problem with the budget.

I want to give you an example of the kind of uncontrollable costs that are not addressed, again, in the present funding formula. One of them is increases to the workers' compensation system; another one is the increases of UI and CPP. Another interesting one, which I would like to share with you because I think it says something about the system, has to do with long-term disability costs. Our long-term disability costs in child welfare this year have gone up 100% and they've gone up 100% because of a large increase in the number of claims that were for mental and nervous disorders.

Our brokers, whom we work with very hard to try and control some of these costs, consider child welfare a high-risk sector for this kind of coverage, and there's no question that our experience with regard to the coverage for illness and long-term disability is another symptom of the strain which the system is under and especially how it impacts on our staff as well as our children and families.

Thank you for listening. I'll end my comments there and I'll be glad to take some questions.

The Chair: Mr Phillips.

Mr Gerry Phillips (Scarborough-Agincourt):

Thank you for your presentation. Just so I get an idea of what we're talking about here financially, how much money is provided by the province totally to children's aid societies?

Ms McConville: There's not a simple answer to the question. There are two parts to it. There is something called an approved base which stood in 1992 at \$377.4 million. That's approved spending, if you will. The actual spending for 1992 was in the range of \$397 million, somewhere between \$396 million and \$397 million. So you can see the gap between the approved spending and the actual costs of providing a service. That \$396 million, by the way, would have been \$13.6 million higher had children's aid societies not cut \$13.6 million worth of programming out of their budgets.

Mr Phillips: How is that difference between the approved base and the actual expenditures funded?

Ms McConville: Four million dollars of it is an unfunded deficit that's sitting out there. It's borrowed money, there is no relief for it. The ECR spending for 1992 alone—and I'm talking about our fiscal year, which is January to December, not the ministry's—stands at about \$13.6 million to \$14 million. So exceptional circumstance reviews take care of a piece of it. Then there was one-time-only revenue received of about \$2 million from the ministry in 1992 as well. The exceptional circumstance review money was largely fiscal only for 1992, so we fully anticipate that those costs incurred will be there again and there will be more.

Mr Phillips: Your increased funding was 0.5%; have I got that right?

Ms McConville: Yes. That was the economic adjustment.

Mr Phillips: And that was for calendar 1992, was it?

Ms McConville: Yes.

Mr Phillips: What instructions have you gotten so far on calendar 1993?

Ms McConville: None. We do not know what we're getting. We were promised by the minister that we would hopefully hear in January that she would be meeting with us; this was Marion Boyd.

Mr Phillips: Right.

Ms McConville: And prior to decisions being made, obviously with changes and so on. There was no meeting, but in addition, we have no idea what we're getting, which is a whole other aspect of the problem, of course, with respect to planning.

The Chair: I've got to go on to Mr Arnott.

Mr Ted Arnott (Wellington): Thank you very much for your most compelling presentation. The government's in an extremely difficult situation financially. I think the Treasurer said yesterday that 17 ministries have seen a real cut in funding. Community and Social Services is one of

the ministries, I assume, that has seen an increase, primarily based on the need for increased income support, individuals and families.

What you've said in your submission, I think, on page 3, the key sentence is, "The children of this province must have first call on the resources of government," I agree with you. It's most difficult to try to impress that upon the entire government, I guess, and the government has the responsibility to determine priorities.

One other thing I wanted to mention to you and ask you about: Our riding office in Wellington county has seen an increase of about 300% in the number of telephone calls it gets and I see that as being an indication of a number of things, certainly the economic situation. You've told us that the demands on children's aid societies have increased as a result of the economic situation in the province. What should we be doing more?

Ms McConville: Firstly, as I said in my presentation, nobody's questioning that the government has a money problem, but within that money problem the government has to set priorities and make, as I acknowledged, very tough decisions. The protection of children has to be your number one priority, and children's services, and we are not seriously working on identifying the need and the legitimate cost of those services. In the absence of that rational approach to the funding requirements, we just play a bit of a smoke and mirrors game.

I think the government has tried, largely through an after-the-fact response, to get some money out there, but there's no question that it's insufficient and that we have to get on with the business of a funding formula.

I also believe that disentanglement is critical to our being able to manage our budget appropriately. It's extremely difficult trying to rectify some of the after-the-fact planning that goes on which makes no sense when in fact we're operating on the calendar year of the municipalities as opposed to the MCSS calendar year. Obviously municipalities are having increasing difficulty addressing a service like this where they have virtually no control from a policy point of view and they have no control over the budget either. They're just asked to hand over their 20%.

The Chair: I've got to carry on. One question is, 1 in 10 families in Ottawa are coming for service, what does the society do to cut down that 1 in 10 and maybe correct the problem rather than putting Band-Aids on? I've got to go on to Ms Harrington over here. It's just a thought.

Ms McConville: Just a thought: They will be doing less if the preventive services are cut, and those are the things that are going in the system.

Ms Margaret H. Harrington (Niagara Falls): I want to agree with you that the disentanglement is a very important issue at this time. I know in Niagara, the regional government always has difficulty with the family and children's services' budget.

1030

I wanted to get to the very heart of it. You're saying that the funding is an irrational system and you talked about discrimination against the foster care. I know we don't have time, but could you elaborate a wee bit on that?

Ms McConville: I'll give you an example of what happens. If a child is placed in what I call an outside paid resource, it's not a group home that's run by your local children's aid society, it's run by a private operator or non-profit operator out there—these are usually children in treatment programs, children with exceptional needs—the cost of that placement, regardless of what it is—and believe me, we have some very costly placements—is covered by the government, and if the costs exceed our budget, we can go to exceptional circumstance review to have that cost met.

If we place that same child in a foster home and that child requires some additional resourcing in order to keep that child in a foster home—for example, you want to give the foster parents specialized training and pay them another \$20 a day; it's still cheaper than the other alternative—we can't do it, the costs are not met. If they are over and above your budget, then the costs are not met. So you literally are rewarded, you have a blank cheque for the costs of children in outside paid resources, and we keep the lid on the foster care system in terms of adequately resourcing it.

Ms Harrington: I would hope that will be addressed.

The Chair: I'm sorry, but time has run out. Mary, I'm sorry to cut you off there. I'd like to thank you for appearing before this committee today. Have a safe trip back home.

Ms McConville: Thank you.

ONTARIO PHARMACISTS' ASSOCIATION

The Chair: The next group we're hearing from is the Ontario Pharmacists' Association. Come forward, please. I'd like to welcome you again this year to the standing committee on finance and economic affairs. I think we have a couple of new faces here, though. I don't recognize everyone who appeared last year. If you wouldn't mind identifying yourselves for the purposes of Hansard, you may begin. We have until 11 o'clock.

Mr Garry Cruickshank: Mr Chairman, members of the standing committee on finance and economic affairs, my name is Garry Cruickshank, president of the Ontario Pharmacists' Association. With me here today are John Connor, president-elect of the OPA, and Gary Sands, our manager of government and public affairs.

The Ontario Pharmacists' Association is a voluntary professional association representing over 4,000 pharmacists across Ontario. In addition to providing services to our members, we strive as an association to enhance the standards of practice in our profession in the interests of pharmacy and the public. We are also mandated by legislation to negotiate the professional fee paid to pharmacists by the Ministry of Health under the Ontario drug benefit program.

On behalf of the OPA council and our members, I would like to thank the committee for once again extending an invitation to our association to appear before you today in your pre-budget deliberations.

Our association was pleased to see that your report last year noted, "The Ontario Pharmacists' Association's presentation was helpful in gaining a better understanding of the issues related to the use and delivery of pharmaceutical drugs." We appreciate that this committee is interested in

looking at government programs that account for a significant share of the province's expenditures, which certainly includes the Ontario drug benefit program.

The original concept of the ODB program was to remove financial considerations for those deemed to be eligible recipients. If we continue to accept that premise, and the former Minister of Health, Frances Lankin, has publicly stated that copayments in the ODB program are not appropriate, then our priority now must be to fully utilize the health professions to maximize patient compliance and the rational use of medication.

We bring this recommendation to the attention of the committee because, notwithstanding the review process under way through the drug programs reform secretariat, there is still a great reluctance on the Ministry of Health's part to forge a genuine partnership with our profession in managing the Ontario drug benefit program.

In fact, the government has made repeated pledges to develop a new management system in health care in partnership with health care providers. That new partnership has simply failed to materialize, yet pharmacists are key to the delivery of the ODB program and have the potential for playing a more significant role in developing and managing a more cost-effective drug benefit program.

In speaking about the process of reforming the ODB program on May 1 of last year at our annual conference, Minister Lankin said:

"You have made it very clear that you want access to, and involvement in, this process. Let me acknowledge that until now we have not facilitated this properly. But let me say that I consider it very important and we will be developing the means to work together with you in the drug benefit reform. We are confident that through a cooperative, consultative process, we can reshape our drug benefit program in a manner that is fair, effective and efficient."

We agreed with the minister and we were extremely dismayed to see major changes subsequently made to the ODB program just a few weeks after the minister's speech, with absolutely no consultation with our association, nor the Ontario College of Pharmacists. In fact, there was no opportunity afforded to health care providers, members of the Legislature nor groups most affected by the changes to comment on the efficacy of delisting many of the products as eligible benefits. The Ministry of Health, in a cash-strapped government, then ended up spending approximately \$800,000 explaining and communicating these changes to the same groups it had opted to not consult in the first place.

Our desire is to work with the government, other professionals and consumers in looking at ways to control costs, while at the same time striving to preserve and enhance the quality of care. Cost containment exercises in one area can simply transfer costs to another area. Improper utilization can result in other problems, for example, overmedication leading to hospitalization.

Our association would suggest that the most important contribution this committee could make is to recommend to the new Minister of Health the need for a partnership between her ministry and pharmacy that would allow better

opportunities for more successful, long-term management of the drug system in Ontario.

Yet the Ministry of Health continues to implement short-term and, in our view, punitive measures such as refusing to discuss non-fee-related issues in our current negotiations; capping drug manufacturers' price increases at 2%, but letting the pharmacists absorb the cost of increases above that level; establishing an advisory council to oversee the drug programs reform secretariat, with an appointee from the OMA, but not allowing the OPA to put forward a representative; freezing the professional fee paid to pharmacists; changing the method of reimbursing pharmacists for the services they provide. All of these steps unfairly single out one group as a target—pharmacists—and do not address the complex, systemic issues that we need to face in order to better manage drug programs in the province.

In 1991 Dr Brian Segal acted as a mediator between the Ministry of Health and our association in our fee negotiations. Dr Segal noted in his report:

"There are a number of specific areas raised by both parties during negotiations where collaboration between the OPA and the ministry could have an impact on reducing the long-term costs of the program while ensuring a fair and equitable dispensing fee. Both parties have much to gain from a sustained period of consultation on a variety of pharmacy and ODB issues. Such consultations should occur outside of the fee negotiating process. It is therefore recommended that the ministry and the OPA establish a joint consultative committee (JCC)."

The OPA strongly supported the establishment of this committee. Once again, as I mentioned previously, in our current negotiations the ministry has refused to agree to our proposal to establish a process for ongoing discussions of some of the non-fee-related issues that have significant cost implications, such as utilization. In fact, we recently discovered, to our dismay, that the cash-strapped government we previously alluded to has also just come up with \$250,000 for a feasibility study for establishing an institute of drug therapy.

Who did the ministry discuss this idea with? What are its objectives? Who will fund the institute? Who will it report to? Suffice it to say we are disappointed that as the organization representing key players in any potential drug utilization program, we had to file a freedom of information request to find out what this proposal entails. We still have not received a satisfactory explanation for this expenditure and we are continuing to pursue this issue.

This is simply a reflection of the ministry's closed-door approach, as was again further demonstrated by its recent development of pharmacy standards for long-term care, with absolutely no input from our association, nor the college of pharmacists. We are hearing rumours of more impending changes to the ODB program this fall. Possibly, we may see certain drugs being deemed eligible only for certain people, but again, there has been no consultation with our association, which represents the providers, which would end up having to explain these changes to consumers.

The Drug Quality and Therapeutics Committee, DQTC, was also slated for a sunset review prior to the

expiration of its mandate at the end of next month, yet the ministry has not consulted with anyone on the future of the DQTC. In fact, we only learned by accident, after the Premier's office wrote to an applicant erroneously stating that the DQTC was being terminated, the status of the DQTC. The Ministry of Health has apparently now sought cabinet approval for a one-year extension of DQTC's mandate. We can only reiterate our hope that the ministry will consult with other stakeholders, including members of this assembly, on the future role of the DQTC.

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The ministry must understand that government interest and public interest are not always convergent. It is their responsibility to the public which funds the ODB program to ensure there is more involvement in ministry planning decisions by other groups and providers. This is of even more importance in the context of the ODB program as the cost impact of Bill C-91, which eliminates compulsory licensing and extends patent protection for brand-name pharmaceuticals, will be considerable for both the province and consumers. We must all plan better, manage better and share responsibility together.

As Premier Rae has stated:

"A monolithic system, in which one insurer has all the political cards, can't work without checks and balances. Professions free to speak out on the quality of care; a partnership in which the planning decisions about the system emerge from a genuine dialogue, and not from the cabinet room alone; above all a sense of fairness and pluralism when it comes to the management of the system: these are all essential if the health care system is to maintain the confidence of everyone working in it, as well as the public it serves."

We hope that this committee could echo the Premier's statement and recommend that a more cooperative approach, in which the Minister of Health seeks partners, not adversaries, is essential to achieving better cost management of the Ontario drug benefit program. Indeed, I would suggest that when political parties do not adhere to the basic principles they publicly espouse, we should not be surprised at the level of public cynicism that exists today about the political process.

Again, let me thank you on behalf of the Ontario Pharmacists' Association for allowing us to come before you today. We would be happy, in the time remaining, to answer any questions you may have.

The Chair: Mr Carr.

Mr Gary Carr (Oakville South): Thank you for the presentation and for being very candid, because this presentation is very condemning of the government in many respects. I want to ask you why you believe the government has acted the way it has. Is it incompetence? Do they not like you? Where are we at? You've outlined them, and again, I appreciate you doing that. Why is the government treating you the way it is, in your estimation?

Mr Gary Sands: I suppose we can only speculate. There does seem to be a systemic resistance to consultation. In fact, those words were Minister Lankin's in our first meeting with the minister when she assumed that

portfolio. She said to us that was something she wanted to change and she wanted to be held up against that commitment before she left office. Unfortunately, that commitment to make those changes never did come true and we just don't know what the problem is with wanting to consult with us on a lot of these problems. We just honestly can't answer the question.

Mr Carr: I appreciate that. I guess if we knew that answer, we'd be able to tackle it. I guess the government's the only one that knows that. I wish I had a dime, or even a penny, for every time this government, in the Legislature, said it was consulting. Tony Silipo must have said that every second word was "consult." Unfortunately, it isn't a reality.

I want to get very specific with your presentation. I think it was very good. With respect to the fee structure, I think on one of the pages you mentioned you had some proposals that you would be interested in looking at. What would you like to see the government do with regard to the fee structure? That's on page 3, the last one, "Changing the method of reimbursing pharmacists for the services they provide." What would you like to see happen?

Mr Sands: Actually, in August the government changed the method of reimbursing pharmacists. Notwithstanding the fact that reimbursement was on the negotiating table, they unilaterally changed the method of reimbursing pharmacists for the services they provide on many of the OTC products. What was interesting about that is, we drew to the government's attention that moving to a retail markup method rather than the professional fee was sending a dangerous signal to many of our members in terms of the method of reimbursement.

We also pointed out in a letter to the Premier and the minister—neither letter was answered—that it would be interesting to see the government tell pharmacists in August that they were retailers and in January or February, as we expected, it would tell pharmacists on the tobacco issue, "You're health professionals." That was one of the problems we had, that the government, when it suits its own pocketbook, wants to treat pharmacists as retailers, and certainly that's the case in our negotiations, yet on other issues it doesn't want to treat us that way.

There are other things that we put on the table in terms of ways we think pharmacists can be better reimbursed in terms of remuneration for more cognitive services and consultation and those kinds of things, but that is a reference to the change to the retail markup method. We strongly object to a retail markup method for any professional service provided by a health professional.

Mr Carr: The contradictions are amazing. I met with some of the pharmacists in my area to discuss some of the issues, and they talked specifically about that. What is going to happen, in your estimation, to a lot of pharmacists as a result of that change that was made? Do you see a lot of them going out of business, or what do you see, long-term, happening as a result of it?

Mr Cruickshank: Again, I think it would be somewhat speculative. It's really a combination of things which are coming to bear on the pharmacists, and this is one of

them. So whether this would be the one thing that might in fact force some pharmacies out of business would be very difficult to assess, but there's no question that it has had and will continue to have impact on the viability.

Mr Carr: But the total picture is that you will see fewer and fewer people surviving, in your estimation, then, with everything that's happened?

Mr Cruickshank: We are impacted on an ongoing basis. It seems that with each passing month, almost, there's something else which is impacting, whether it's the fee being frozen, the capping of the manufacturers whereby the pharmacists were essentially forced to eat the difference between what they were paying and what the ministry was paying, the changes in reimbursement. It seems to be an ongoing process of one thing after another, and as time passes, and certainly if that trend continues, it's going to become exceedingly more difficult for some pharmacies to remain viable.

Mr Arnott: Just to follow from that question; I'm here representing the people of Wellington. I don't know if you want to categorize pharmacists as retailers or health care providers, but they do provide an absolutely essential health care service in many small communities and we're most concerned about maintaining that service. I would ask you, have you seen an increase in the number of pharmacists who have left the business in the last two years? Does your association maintain any statistics on that part of the equation?

Mr John Connor: If I might try and answer that, perhaps, coming from a small-town background myself, I think what we're seeing at this point certainly is a level of frustration. I don't think the point has come when people have decided to leave the profession. The frustrating part is that there doesn't appear to be any hope of perhaps resolving some of the concerns. Pharmacists are extremely responsible people. They recognize that there is a problem with money. All we really want to do is to be part of the solution—very, very difficult to do. There doesn't appear to be a lot of real, genuine desire to want to make us part of that process and come up with the solutions.

The Chair: We have to go on to Mr Johnson.

1050

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I'd like to pursue what you've just stated as being part of the solution. The Ontario Pharmacists' Association certainly is an important association in the realm of health in the province of Ontario. You service the people who need to buy their prescription drugs most certainly, and these are prescribed by doctors. I think that's very clear.

However, this is a pre-budget consultation. We're concerned about the state of the economy generally. We're concerned about how the province is going to pay for all those things that the province has a history of paying for. Certainly, under the ODB program, I think it's clear that as the province tries to grapple with its expenses, it wants to make sure that everything is done efficiently and effectively. These are things you've heard time and time again, I'm sure.

In this meeting today, in a few short statements, what can you tell me should be done that would improve the province's perspective and improve the finances of the province with regard to drug benefits?

Mr Sands: I think one of the things we almost beg the committee to do, especially, to be quite candid with you, the government members of this committee, is to urge the minister to implement the report of the mediator, which she appointed, or this government appointed, to establish a joint consultative committee. It is absolutely critical to better management of the system and reducing just the costs that you've spoken of to establish an ongoing process for dealing with issues, everything from utilization to prescribing. If that process could be implemented, if the government could be prevailed upon to implement that recommendation, that would be the greatest contribution this committee could make.

Mr Johnson: Do you think those consultations would net the results that both parties were trying to achieve?

Mr Sands: We believe so. It would be almost identical to the process that the government implemented with the OMA. Ours came out of a mediator's report that the government appointed and just chucked the mediator's report out. So I have to come back to that one, because there's no way in 10 minutes we're going to be able to cover everything from utilization to prescribing. But if that process could be set up and implemented, this committee could recommend to the minister to seriously re-examine that mediator's proposal and implement it. It would be a great start.

Mr Johnson: Certainly drugs are a portion of the health costs that are incurred by the province. What could the province do directly to reduce those costs? I know there are many factors, and of course that's maybe too simplistic a question to answer directly. But I know that the patent drug law certainly is going to have implications that are going to be very negative, in my opinion, to the province and to the people who pay taxes, and that's something we don't have any control over. What would your advice be to the province with regard to reducing drug costs, outside of a consultation?

Mr Cruickshank: There are some initiatives under way to establish some drug utilization review programs, and certainly that is probably one of the major things in the future which should have a significant impact, and that's being able to review globally classes of drugs, to be able to look at more costly versus less costly drugs and the benefits of that, to be able to zero in geographically in terms of prescribing habits of physicians. There's just a multitude of things that can be done in reviewing the utilization of medications by the people who are being covered. I think that that would certainly be one of the main things that would come out of it.

I think we need to spend more time looking at the wastage in the system, if there is such wastage. As an example, at the same time the ministry introduced these alternative reimbursement mechanisms to us in the summer, in the same document it listed a concept of a maintenance list of medication. In that they outlined a number of criteria that a drug should meet in order to qualify for that maintenance list.

The maintenance list would be eligible for a 100-day supply of medication.

Having said that, there is in place now a law which allows a physician to order up to a 250-day supply of any medication covered under the Ontario drug benefit program. While the maintenance concept appears perhaps to have been a good concept, there was nothing done to look at the fact that currently now there is no control over this prescribing of large quantities. So I think you have to be able to look at those two issues and bring some normalcy to it.

Mr Johnson: And doctors would have direct control over that.

Mr Cruickshank: Yes, they do.

The Chair: I've got to go on to Mr Kwinter.

Mr Monte Kwinter (Wilson Heights): My question is to either one of the Garys; you decide which one wants to answer it. I was fascinated by your appendices, one dealing with Dr MacLeod and the other one dealing with the response from the Premier's office on the proposal to disband the DQTC.

It's always been my impression that the DQTC was the first line of approval to get a drug certified to go into the drug formulary as a substitute. Even though you sort of are critical of the fact that the government initially said it was going to be disbanded, and now it's thinking of maybe extending it for a year without consultation, you don't state your particular position on it. Could you tell me what you feel about the DQTC? Is this something that should be continued, or are you in support of it being phased out?

Mr Sands: No, we're not in favour of it being phased out. I think our point was simply that the possibility of expanding the role of DQTC is something we've always been willing to discuss with the government, and we think it provides a very valuable role. We simply want to ensure that on this issue, because the role of DQTC is so important to the public, there's some consultation, that they actually talk to somebody during this review, including members of the assembly, whatever committee it may be.

Mr Cruickshank: The mandate of that committee certainly needs to be reviewed and, with changing times, does it need to be expanded or its directions changed?

I mentioned earlier drug utilization, and we know that besides Dr MacLeod there is another government committee looking at drug utilization. Should somehow DQTC be brought into that fold, where does it fit in in the concept of drug utilization in determining which drugs are going to be covered and which are not and under which circumstances might a drug be prescribed?

There certainly has to be a body. I think DQTC has functioned reasonably well, but I think its mandate does need to be reviewed. Certainly, as we move into the future, do there need to be changes to its functions that it's performing?

Mr Phillips: I appreciate the presentation. As we know—I think your brief mentions it—we all have to face up to the fiscal challenges here and, as I recall, the Ontario drug benefit plan was one area where expenditures were going up fairly quickly.

At the risk that I may only get one question, I might ask a kind of a three-parter here. I am struck by the need for consultation. I am aware that the government has a joint committee with the OMA on dealing with physicians in the province. I'm wondering if you have advice for us in terms of whether an equivalent body or whether an all-inclusive body—I'm more to all-inclusive than a series of kind of bilateral committees, because I'd always wondered frankly about setting up just the doctors in that committee. I felt there was a risk that it would isolate a part of the health system and may have some short-term benefits. Anyway, your advice on that.

I'm not sure where tobacco sales in pharmacies stand right now. I know that's not even part of your brief, but it seems to me that's part of the business proposition for your members and if that's not allowed I suspect you have to make up the revenue some other ways and just where that stands.

Lastly, the same question I think Mr Johnson asked, and that is if you've any advice for us in terms of areas where we can be looking at reducing expenditures in the drug area.

Mr Sands: In terms of whether it's a separate JCC for pharmacy or all inclusive, we don't have a problem with that. We're more committed to the idea of having a process put in place that we could be a part of on an ongoing basis. I think we'd be happy to discuss participating in that process, whether it be one with the OMA—in fact, that is one of the areas we think there has to be a mechanism for allowing more dialogue between the doctors and the pharmacists.

On the tobacco thing, the recommendations have gone to the government from OCP. I think many pharmacists would agree it's a controversial issue, no doubt. We'd be happy to discuss with the government some sort of compensatory measures that we could talk about to help pharmacists take tobacco out of the stores.

The problem that I think a lot of people are having is that on the one hand you're telling us to take it out, which I guess is okay from some people's perspective, but then on the other hand that you've got coming down on us—bang—it's continually hitting us over the head. That's the problem. Right now the retail component of pharmacy is absolutely essential to those people staying in business and you can't continue to hit them over the head in that area and then turn around say to them, "And by the way, we want you to have tobacco out." That's the economic reality or problem that many of our members are having.

The Chair: Gentlemen, I'd like to thank you for appearing before the committee today. Have a safe trip home.

Mr Cruickshank: Thank you very much.

1100

ONTARIO RESTAURANT ASSOCIATION

The Chair: I'd like to welcome the next group forward, the Ontario Restaurant Association. Come forward gentlemen. Welcome back again this year. Mr Oliver, are you the one who owns the Elephant and Castle?

Mr Paul Oliver: No, I'm not.

The Chair: It's a different gentleman. He used to be the president, I believe, of the Ontario Restaurant Association.

Mr Oliver: Good morning. On behalf of the Ontario Restaurant Association I'd like to say that we are pleased to be here today to discuss the current health of the food service industry and to outline some of the major challenges facing our industry. I'm Paul Oliver, vice-president of the Ontario Restaurant Association, and with me is Bob Boone, senior vice-president of Versa Services Ltd.

The ORA, or Ontario Restaurant Association, is a non-profit industry association which represents the restaurant and food service industry in Ontario. Founded in 1931, it currently represents about 4,500 establishments in all areas of the food service industry, including licensed and non-licensed contract caterers, accommodation establishments, quick service and many other food service establishments. Approximately 80% of the food service industry in Ontario is comprised of small, independent operators.

Unfortunately, many of the operators within our industry are currently struggling to survive. The past several years have been particularly devastating for the food service industry. Over the last three years real, industry-wide sales have declined by approximately 18%. In 1993, real sales are projected to grow by less than 1%. All sectors of the food service industry have been impacted by these negative sales.

Bankruptcies in our industry are at record highs, and unlike some other economic sectors which have witnessed a slight decline in 1992, bankruptcies are continuing to increase in the restaurant sector. Formal bankruptcies in 1992 exceeded 500. This compares to 1989 where we had 167. This only represents, however, about a third of actual closures in the restaurant industry. Most operators simply turn in their keys to the landlord and walk away.

Profit margins on sales, which are typically very thin—2% to 5%—have virtually evaporated, as has financing. Several major chartered banks and lending institutions have stopped all loans to the industry as a matter of corporate policy. Few will even examine new loans and many have cut existing operating lines of credit between 30% and 50% across the board, even for well established restaurants. The restaurant industry has been severely hurt by the current recession and we must work together to improve the health of the industry and ensure that new taxes or regulatory initiatives do not further strangle this price-sensitive industry.

The food and beverage service sector is a major employer throughout Ontario and is represented in every region of Ontario. More than 234,000 residents of Ontario work in the food and beverage sector. Many of the workers in our industry are in demographic groups that face difficulties finding employment elsewhere in the economy. The restaurant industry is very proud of the jobs and employment and training opportunities it provides. In addition to providing direct employment and workplace experience, the restaurant industry is unique in that it provides skills training and workplace experience which assist workers in entering the broader Ontario workforce.

Recent statistics indicate that approximately 30% of all members of the workforce in Ontario received early job training and experience in the foodservice industry. Job

experience in the restaurant sector allows individuals, especially young, inexperienced workers, to find first-time employment. This enables them to progress forward to other positions in the broader workforce. Our industry believes that we should be viewed in the broader context as a training ground for all of Ontario's labour force and we should play a more important role in the government's training and industrial strategy.

As you can well imagine, the foodservice operators are very concerned about the next provincial budget and the impact it will have on both their consumers and upon their ability to survive. In the brief which has been provided, we've outlined our views on several potential tax changes as well as suggested a number of cost-free initiatives which could be undertaken by the government to stimulate the economy and help generate desperately needed jobs.

Today, we'd like to touch on two of the major issues of concern to the foodservice industry; namely, maintaining and enhancing consumer confidence and encouraging job creation. The foodservice industry believes it is imperative that the government of Ontario strive to contain and reduce the provincial deficit. We believe current and sustained high deficit levels projected for fiscal 1992 and 1993 are dangerous to Ontario's future and need to be addressed immediately.

The foodservice industry recognizes the difficulties confronting the government of Ontario, especially the impact the federal cap on transfer payments has had on Ontario. However, the high debt level must be reduced, otherwise it will severely restrict Ontario's financial and social policy decisions in the future as well as represent a major barrier to the ability of small business to secure financial lending from a shrinking pool of capital.

The foodservice industry believes that there has been too much emphasis placed on tax increases and more emphasis needs to be placed on expenditure control. The long-term ramifications of high-deficit financing are simply too great for the economic and social future of Ontario.

The government of Ontario, however, deserves credit for undertaking some measures over the last several years which have helped to constrain future deficit growth. Specific constraints, including the implementation of comprehensive reviews by treasury board, major spending constraints within the health care system, the review of the social assistance program and the government's commitment to streamlining ministries and reducing the size of the provincial civil service are positive steps towards reducing the cost of program delivery. These initiatives should be continued and enhanced.

In the area of taxation, the ORA is very concerned about proposals which would increase revenue generated by the retail sales tax. We recognize that a 1% increase in the PST gives the government of Ontario the largest single income boost. However, the psychological impact on consumers, and hence the economic impact, would be devastating on Ontario's economy and particularly on the foodservice industry. Already Ontario restaurant operators must compete with a combined sales tax rate of 15% on food and 17% on beverage alcohol. This is a major burden placed on the foodservice industry, especially when competing with ready-to-serve or

prepared meals which are purchased in variety stores or grocery stores tax free. An increase in the PST would have a severe impact on sales and employment within our industry. An increase in the rate of the PST would also discourage tourism, increase cross-border dining and further disadvantage our industry relative to our competitors.

As an industry which is very price-sensitive and highly reliant on consumer confidence, the foodservice industry is very concerned that an increase in the retail sales tax would be a severe and long-term blow to consumer confidence. Only through increased consumer confidence and spending will Ontario fully emerge from this recession. We believe that a sales tax increase would only enhance and lengthen this recession.

As well as damaging consumer confidence, increasing the RST is a highly regressive tax policy initiative. Increasing the rate of taxation on restaurant and prepared foods increases the cost on those members of society who can least afford it. Although restaurant meals might be thought of as a luxury, this is simply not the case today. Due to major social and economic changes that have taken place in the workplace and in the family, prepared meals away from the home are a necessity.

Lower-income households spend a larger percentage of their income on basic necessities, including prepared food, and hence pay a disproportionate share of consumption taxes. Consumption taxes have no link to one's income or ability to pay. Increasing the rate of tax on food consumed away from the home would force low-income households to pay a greater share of their incomes on tax for basic food.

Mr R.E. Boone: In addition to the potential impact of a regressive increase in the retail sales tax rate, the foodservice industry is concerned about the impact of other potential adjustments designed to generate more income from consumption taxes. Currently, a retail sales tax exemption applies to prepared food products under \$4. Over the past several years, the true value of the \$4 exemption has declined considerably. However, it still plays an important role in mitigating the unfair sales tax burden placed on prepared foods. The \$4 exemption on prepared foods is designed to assist low-income consumers who spend a proportionately higher percentage of their income on food consumed away from the home.

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The elimination of the \$4 exemption would have a severe impact on sales and employment within the foodservice industry and would negatively impact upon sectors of Ontario society including those individuals least capable of paying more taxes, including low-income and fixed-income people, the working, mid-to-low-income earners and, in particular, students. As an example, the industry's experience in Quebec with the elimination of the \$3.25 exemption for PST was that consumer spending did not increase and still has not come back. The impact has been lower sales, resulting in lower food purchases and lower employment. The apparent gain in revenue to the Quebec government was offset by lower sales and employment levels; in reality, no real improvement in the economy in Quebec.

An increase in the rate of the provincial sales tax or the elimination of the \$4 prepared food exemption would also further enhance the inherent disadvantage the foodservice industry faces in relation to our competitors in the grocery industry, who are exempt from provincial sales tax. This initiative would only further enhance the tax inequities which already exist in both current provincial and federal tax systems.

Increasing the cost of prepared food, which would result from the elimination of the \$4 provincial sales tax exemption, would mean higher costs for an important element of food consumed by Ontario residents. The burden of this increase is highly regressive in nature, because it ignores an individual's ability to pay and punishes those individuals who are required to purchase basic prepared foods due to employment, family or school commitments. Although restaurant meals might be thought of as a luxury item, it is no longer the case due to significant social changes which have occurred. Lower-income households spend a larger percentage of their income on food away from home and would be disproportionately impacted by the elimination of the \$4 exemption.

Food consumption away from home is no longer a luxury and should not be treated as such. The elimination of the \$4 exemption would severely undermine the health of the hospitality industry and cost foodservice jobs and would hurt low-income people such as students, senior citizens, working mothers and any individual on a fixed income. This is a policy which we strongly believe should not be pursued. Instead of reducing the \$4 exemption, the government of Ontario should seek increased tax equity and reduce the regressive nature of the provincial sales tax application on food by increasing the exemption on prepared food to \$7. This would help restore the value of the exemption which has been diminished by inflation.

The foodservice industry is very concerned about the growing tendency of increasing the tax burden placed on food through either direct consumption taxes or indirect production taxes. The foodservice industry believes all food, because it is a necessity, should be exempt from taxation.

As recommended by the Fair Tax Commission in the report of the Retail Sales Tax/Goods and Services Tax Working Group, a better understanding of food taxation should be sought through an in-depth exploration of both the federal and provincial tax treatment of food. Since the Fair Tax Commission did not have adequate time to initiate this review, the foodservice industry has encouraged the Ontario Minister of Finance and the Minister of Agriculture and Food to initiate a multistakeholder, comprehensive review of food taxation. We encourage this committee to support a review of food taxation.

The increasing level of payroll taxes has taken a serious toll on the foodservice industry. Because the industry is labour-intensive, increases in the level of payroll taxes, especially the employer health tax, have a disproportionate impact on the foodservice industry. A recent analysis by the association members suggests the rate of payroll taxes has increased from 2.7% of total revenues in 1989 to 4.7% in 1992.

Increasing payroll taxes is a direct disincentive to job creation. To encourage job creation and limit the impact of regressive payroll taxes on small business, the Ontario Restaurant Association encourages the government not to increase the overall rate of payroll taxes and to introduce a \$500,000 payroll exemption for small business.

The foodservice industry, as a labour-intensive sector which is sensitive to payroll taxes, is also concerned about federal initiatives to limit the deductibility of payroll taxes. In the federal budget of February 1991, the Minister of Finance signalled his intention to ensure that provincial payroll and capital taxes should no longer be deductible for the purposes of determining federal income tax. The budget outlined a mechanism to achieve this objective and proposed that it be phased in over a three-year period commencing in 1992. The proposal was then delayed until the end of 1993.

If this federal proposal is adopted, its impact on the foodservice industry will be severe. Many small as well as large businesses will be harmed significantly. Employers whose operations are dominated by high payroll costs, such as foodservice operators, will bear a disproportionate burden of taxation.

The realities and cumulative impact of both federal and provincial tax initiatives must be considered in the development of Ontario's budget. As employers, it is important that we do not get caught in the middle of a federal-provincial tax fight. Uncertainty created by this type of situation will only reduce the potential for job creation.

Mr Oliver: The foodservice industry in Ontario not only faces significant competition from the domestic market but the restaurant industry in Ontario must compete in the international market. Approximately 21% of tourism expenditures are spent on food and beverages. The cost of food in restaurants is a major determinant in a tourist and convention planner's decision to travel to Ontario or not to travel to Ontario. High taxation has already had the impact of discouraging tourism and convention business in Ontario. Since we do not operate in isolation, it is imperative that the tax burden placed on our competitors in other competing jurisdictions be brought into the formation of the next provincial budget.

Aside from discouraging international tourists from visiting Ontario, the restaurant industry faces a growing problem with cross-border dining. Restaurant operators in border regions have been severely hurt by competition from American establishments. This, in no small measure, has resulted in a staggering \$4.5-billion travel deficit for Ontario. This is a major revenue drain on Ontario's economy. Increasing consumption taxes will only enhance this outflow of capital. Business and consumers are already severely burdened with high taxation which is suffocating consumer confidence and limiting Ontario's ability to effectively respond to this recession.

It is imperative that at this time the government of Ontario make the difficult decisions and cut spending. Further tax increases in Ontario cannot be absorbed. Many of the thousands of men and women who make up the foodservice industry are struggling to hang on and cannot withstand the impact of further taxation or a decline in consumer confidence.

On behalf of the ORA, I'd like to thank you for allowing us to appear here today, and we're more than anxious to hear your comments.

The Chair: Ms Harrington.

Ms Harrington: First of all, I represent Niagara Falls and—very important to our economy—some of the things you mentioned about the travel deficit, the cross-border shopping, certainly apply. But with the Canadian dollar now lower, it certainly is helping our economy.

I wanted to note some of the things that you mentioned that I agree with: first of all, how important the training is. A major portion of our workforce do start in your industry; I know my family did. Consumer confidence is so important. People have to feel good to be able to go out there and spend, and restaurants are part of that. The fact that the PST is a regressive tax and it does hurt those most not able to pay in some cases, I would agree with you.

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What I'm finding in our local economy is that the merchants have to be innovative in order to attract customers, and of course we're also looking at attracting Americans. Has your association done some initiatives to try to lure others and promote new markets and new ways of doing things here in Ontario?

Mr Oliver: One of the things we've looked at is some of the reasons for people cross-border dining. We've done a lot of work in the Windsor-Detroit area in particular. We've identified two major reasons they're going over. One is that they're going over and dining as a sole entertainment activity and that's cost, tax generated in particular. The other reason is that they're going over and dining once a week, but they're going over to get groceries and gasoline or something and they take the family out for dinner at the same time when they're over there.

We've worked with some of our local branches to address and do advertising promotions where they can put all of their money together and do a promotion in the Detroit newspapers and things like that. We've also put out some publications outlining what they might be doing in Detroit that's available then to operators in Niagara Falls or in Kingston, so that there is some exchange of ideas on that.

But from the survey work that we've done, and some of the other convention bureaus, a lot of it is that seeing the tax at the bottom of their bill is a bit of a deterrent both for residents in Ontario—to encourage them to go across the border—and to discourage Americans from coming back.

One of the things that our industry in the border regions often relied on during the 1970s was the domestic market, but also drawing a lot of American visitors over to their restaurant establishments. That, for all intents and purposes, is virtually non-existent today. So we're not only addressing now preventing Ontario residents from going over, we're trying to get some of the Americans back. But it's a very difficult sell, especially with the impact of the GST on top of everything they buy.

The Chair: Mr Phillips.

Mr Phillips: I appreciate your brief. Your recommendation to us, I think, is to not look at any increase in taxes

and to mainly deal with the deficit through expenditure reductions, if I interpret the brief properly.

Mr Oliver: In part. We did outline in the back of the brief several money-generating initiatives for the government. One is the introduction of video lottery terminals which would generate about \$350 million, we estimate, here in Ontario, as well as the extending of hours for hospitality establishments, in particular in border regions, to stem the flow of cross-border consumption across the border for our customers going over. But on the consumption taxes, definitely hold the line, if not reduce them, and that may be an economic stimulant, to reduce it one percentage point, that the government may want to look at.

Mr Phillips: Reduce—

Mr Oliver: The PST as a short-term initiative, but at the very least not increase it.

Mr Phillips: That would mean, I think, a very slow reduction of the deficit, realistically. Any numbers that we've ever looked at, even on very tough spending restraint, it's slow. Would that satisfy your members, if a government said, "Here is a realistic plan that over seven or eight years would get the deficit down substantially but not completely eliminate it"? Would that be something that you could support?

Mr Oliver: It would begin to address some of the problems. One of our concerns—and it's not just the provincial government here in Ontario but from other provincial governments we've been following and also the federal government—is they come out with a nice five- or six-year plan and after six months they're not on the plan, they're off. I know it's very difficult to come up with accurate economic spending. But we have a reduction plan supposedly in place here in Ontario that would see the phase-down eventually. It's off its plan; the federal one, as well. I don't know how much confidence the business community or international investors would have to see another plan come forward where they don't see really substantial things taking place or happening.

Mr Phillips: How do you get around that, because all governments can do is say, "Here's what we're going to do"? How do you restore that sense of confidence?

Mr Oliver: One thing you have to do is not look at the budget process with any sacred cows on the spending side and take a look at everything. It might be partial payment on the health care, it might be emergency fees, something to what Quebec has started to do to reduce the immediate cost of the health care.

One of the things that I would like to see personally is that everyone at the end of the year get a bill saying not even that it's taxable, but saying how much they used on health care spending so that they have some recognition that they spent \$1,000 or \$10,000. People today just don't know that. They think of it as completely free. I'm not saying to tax it back at that time, but at least as an information. With the new health card, we have the capability to do that. I think that people need to know that every time they go to the doctor they're really paying for it as a taxpayer. There needs to be more recognition of cost benefit that they're getting out of the health care system.

The Chair: Mr Arnott.

Mr Arnott: Thank you very much for your presentation; it's very comprehensive. I'm sympathetic to most of the issues you've raised. You've raised a lot of issues that small business generally would be able to come in behind and support.

A year ago, one of the issues you were very concerned about was the regressive changes to our labour laws, Bill 40. Have you been able to monitor in any way the impact Bill 40 has had on your industry?

Mr Oliver: We haven't been able to quantify it; it's very difficult to quantify it. At the time, one of our biggest concerns relative to the labour legislation was the impact on other manufacturers in Ontario that might be leaving or could potentially be leaving. We're trying to track it, but it's very difficult. If a company decides to leave, it's very difficult to say it's because of this or free trade or anything else, but what we are looking at is tracking some of the impact on the contract catering as factories leave and things like that, but it's very difficult and too early at this point to tell.

Mr Arnott: Your suggestion about video lottery terminals and the experience of Nova Scotia, they've had video lottery terminals all over the place in Nova Scotia for a few months and they've since taken them out to just put them in licensed establishments. Are you concerned about children's access to video lottery terminals?

Mr Oliver: Yes, we are. What we've recommended on video lottery terminals is that they be only available in licensed establishments and that the liquor licence board regulates them. They already have an infrastructure for inspection and control in place; the cost of setting up a separate bureaucracy or agency to oversee video lottery terminals would be cost prohibitive.

To extend it just through licensed establishments, as we've seen in Alberta and other provinces, both controls access but also is a ready-made policing and enforcement mechanism. The cost of rolling out that package would be substantially reduced and the revenue to the province, because it would be a shorter roll-out period, would be able to be realized much sooner.

The Chair: Mr Carr.

Mr Carr: Yes, if there's time left. One of the questions I had regarding the payroll tax that you answered, this committee dealt with a bill in Ontario. Essentially, the government put \$250 million into a venture capital program and then said businesses can access it. They said at the time it was for small and medium businesses to be able to have some cash for various needs.

Small business came in and said: "Rather than doing that, let's take the \$250 million. Thank you very much for saying you like to help small and medium businesses, but what we should do is take that and reduce the employer health payroll tax by \$250 million starting with the lowest until we use up the \$250 million." Would you be in favour of that rather than putting basically a pool of money, \$250 million, in that will be then accessed by the Algomans and everybody else? Would your association be in favour of reducing and using that \$250 million in that manner?

Mr Oliver: I don't know if dedicating it specifically to health levy is the right thing to do, but the idea of setting up a huge superfund for money, our industry has never been able to successfully access government funding to any degree through that. Because we're a small operator, to work through the system is just too costly.

We have made the recommendation that Ontario Development Corp assistance be made available to foodservice and accommodation industries and there has been some work done by the Ministry of Industry, Trade and Technology to do an experimental model for, in particular, a combined foodservice and accommodation establishment in northern Ontario.

It identified a lot of barriers that are there now, and currently our industries are excluded from that. We think as a short-term initiative, the government expanding that would be a direct job saver because we've got a lot of long-term, well-established operations that have just been in a three-year, four-year cycle downwards now that's bottoming out, and to get them over the next year and a half or two years.

The Chair: Gentlemen, your time has expired. I'd like to thank you for your presentation before this committee.

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UNITED VOICES FOR FAIR TREATMENT IN CHILD CARE

The Chair: The next group to come forward is United Voices for Fair Treatment in Child Care. I see you made the papers this morning, in the Toronto Sun.

Ms Tracy Buckingham: We haven't seen it yet.

The Chair: You haven't seen it? I'll send it down to you.

We have until 12 o'clock for your presentation. As you can see, if you can leave some time at the end of your presentation to make room so the members of the committee can ask questions on your brief. You may begin, and identify yourselves for the purposes of Hansard also.

Ms Jackie Cousins: Thank you, Mr Chair and members of the committee. My name is Jackie Cousins. I'm the past chair of United Voices and the president of the York region chapter. I'm a parent with two children in the child care system. With me today is Tracy Buckingham. Tracy is the current chair of United Voices and she's a supervisor of a child care program in Milton.

We're a provincially incorporated, non-profit organization formed in 1991. Most of this presentation comments on the recently leaked cabinet document on child care reform. We changed our brief to best suit this latest development.

In the document there is no reference to cost, and we find it incredible that the cabinet is being asked to approve major and irreversible changes on how child care is delivered before seeing one single cost estimate. We will focus our comments primarily on the financial implications of child care reform. Our analysis has found that the cost will be in the billions, and largely unpredictable.

Just to give you a brief background on the system as we know it today, Ontario is regarded as having the best

child care system in North America. Most choices are community-service oriented, including municipalities, local churches, employers, non-profit agencies, family-based, privately owned, nursery schools and cooperatives. A total of 122,400 children use the system, of which 70,000 pay the full fee and the rest are subsidized. This is only about 7% to 8% of all Ontario's children ages 0 to 12.

An analysis of recent government expenditures in the last six years shows that expenditures have increased dramatically but the number of children served has not. In fact, since 1988, expenditures in the operating field have nearly tripled, yet there are no more children being served. In 1988 \$169 million was spent; \$459 million will be spent in 1993.

The number of children approved for subsidy assistance but placed on waiting lists continues to increase and is presently at approximately 15,000. The vacancy rate is high in many centres due to the recession and also as a result of an aggressive tax-dollar-funded expansion of the non-profit sector without proper needs assessments, resulting in some areas in the supply outweighing demand.

In regard to the cabinet document, under the financial reform strategy it indicates that the focus of reform funding should be for the government to reduce the price of care to families by permanently funding more of the actual cost rather than by increasing the provision of fee subsidies. In other words, the emphasis will be placed on subsidizing the service provider instead of on children and their families. It's incredible to see that the government has made a conscious decision to disregard the needs of children on the subsidy waiting lists who need to access child care now. The needy are being neglected while the government focuses on building administration and bureaucracy.

Recommendation 6 wanted cabinet to support in principle the use of a core funding approach. This requires the upfronting of funds to child care programs based on provincially approved standardized budgets. Parents would pay the province a standard fee for service, similar to how OHIP used to be run.

Such a radical approach from the current fee-for-service involves many difficulties, including the enormous costs to create the bureaucracies needed for approving and distributing funds; the emphasis being placed on the provider and not on the child; it lends itself to support inefficient programs; there will be a loss of flexibility of the system to expand or contract as demand dictates; its failure to address the real problem of subsidy waiting lists; the likelihood of programs losing their autonomy; and, it lays the foundation for child care workers to be seen as civil servants. Many child care educators from both sectors are fearful that they will lose their ability for creativity and that ultimately the children will suffer.

There will be a possible loss of federal revenue. A base-funded formula may not be eligible for federal cost-sharing provisions under CAP. Certainly, child care funded by the Ministry of Education will not be eligible. This is an important provincial concern. However, we emphasize that taxpayers fund all levels of governments, and the total tax bill is still paid by them.

The government still continues to insist the system be primarily non-profit. The concern here, from a financial

point of view, is one of higher costs and inefficiency. A recent review conducted by Metro Toronto compared the total cost of private versus non-profit child care and found the non-profit model was higher.

Also, financial expertise is desperately needed in the non-profit sector. The ministry had recently committed \$11 million to help bail out troubled non-profit centres. We wonder why the government continues to pursue this strategy when the model is showing that they are in great difficulty.

Recommendation 7 wants cabinet to approve the use of a standard fee approach for charging parent fees. This would be applied to all parents regardless of income or whether they could afford to pay the full cost of care. The idea is for parent fees to be reduced enough so that more full-fee-paying parents would be attracted to the system.

The document recommends an infusion of \$160 million in new funding, which would reduce the average fee by about \$25 per week, but this raises many questions. What will be the cost of creating the bureaucracy to handle the processing of applications and fee collections? What will be the cost of revenues lost due to NSF cheques, families moving? How will the intrusive nature of such a system impact on enrolment? How many parents will object to having to complete a form and disclose personal financial information when they are quite prepared to pay the full cost? Will parent fees have to reflect the extra costs from creating the necessary bureaucracy to handle the system?

How will the changing of parent circumstances be handled? Will parents be guaranteed a spot in the centre of their choice? Will this be a first come, first served list; immediate access? What happens if the fee reductions create a significant expansion of the system and how will that be handed? Will there be a fleeing of full-fee parents from the system as they look for alternatives that better meet their needs?

If children of full-fee-paying parents are to be the "preferred" customers of a reformed system as the document states, then will children of poor families be systematically discriminated against if space becomes a problem? What will be the impact on quality of impersonalizing a human-based service and how will that affect parental involvement? What choices will parents have if their program does not meet their needs? Will they be able to choose another?

Recommendation 10 calls for cabinet to commit an additional \$160 million in base funding for programs. There are many problems with this as well, including the fact that not one single child from the subsidy waiting list will be helped. It assumes that that number of children served in the system will not increase, even if parent fees are reduced.

In order for the government to recover its investment of \$160 million, the system would have to attract an additional 30,000 full-fee-paying parents, but savings per parent become less as the number of children served increases. The government must be anticipating a minimum expansion of 50,000 children, based on the committed 20,000 Jobs Ontario subsidies the 30,000 additional full-fee-paying parents. However, \$160 million distributed among 50,000 additional spaces results in a decreased savings per space.

If the government caps parent fees, as has been recommended, then the province would be on the hook for the shortfall. Provincial child care expenditures would become wildly unpredictable and the per child cost of care will increase simply from implementations of other child care reforms. It is unclear whether or not the province intends to absorb all these costs. For example, \$160 million spread over 175,000 children would reduce the parent fee to \$17 a week, and spread over 200,000 children would translate into a fee reduction of only \$15.

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The next page simply presents two scenarios based on the cost of care not increasing but the system expanding, and number two, presents a scenario where the costs increase by 15% and the system expands. As you can see, if there was no expansion to the system but the cost of care went up 15%, the government subsidy required would be \$297 million. If the system expanded by 50,000 children so that it served 175,000, then the actual subsidy required is \$425 million, and this would be additional funding to what we have now.

Recommendation 1 proposes establishing an early childhood authority responsible for the implementation of child care and early education reform. Part of the analysis will be the phased-in implementation of publicly funded, full-day, early education programs for children three to five. Publicly funded, full-day schooling for children basically out of diapers will mean the disappearance of hundreds of thriving nursery schools, preschools and cooperatives. The same will hold true for many non-profit and private child care programs. The choice for parents to send their children to small community-based programs, where parent involvement is encouraged instead of an institutionalized school environment, will be lost. The program still does not help the families on the subsidy waiting lists unless their child is over three and they work between the hours of 9 and 3:30.

Other problems that this offers are the serious problems in the existing school system, including overcrowding. The physical and emotional needs of preschoolers vary considerably from those of older children. The child-teacher ratios under the Day Nurseries Act are much less than those under the Education Act. School programming will certainly emphasize school-like activities rather than the nurturing and emotional aspects that preschoolers need. Parent involvement will be reduced. Year-round, 12-hour days are required for children requiring child care services in addition to a school day. Parent control will be diluted, and the possibility of child care educators losing their jobs if they cannot go back to school to upgrade will be high.

We did a cost analysis of this model. We assumed that the schooling for three- to five-year-olds would take place within the education system and the before-and-after school care required would take place under the Ministry of Community and Social Services, where it is now. There are 425,000 children in Ontario eligible for the program and presently there are about 105,000 four-year-olds in half-day junior kindergarten and 140,000 five-year-olds in half-day senior kindergarten. The bottom line is that the operating costs shifted on to the education system, in addition to what

they are now, are just under \$3 billion. That translates into an education tax increase of \$750 per household.

We thought it would be interesting to calculate the savings to the Ministry of Community and Social Services if you took the three- to five-year-olds out of that service and put them into the education system for the normal school day. We came up with a savings there of \$150 million, and that presumes that Community and Social Services did increase its share of costs as it suggests in the reform document by lowering parent fees. Basically, if the object here is to service those children, and there are 94,000 children aged three to five in the child care system, then what we've taken is a \$150-million service and translated it into something just under \$3 billion.

Recommendation 5 proposes the development of several new layers of provincial bureaucracy to carry out the tasks that are presently being carried out by the municipalities. This recommendation runs contrary to that which has been stated in the 1990 provincial-municipal social services review. The major concern here is cost and the number of new layers of administration required to carry out the tasks. Other cost considerations which the document has not brought forward are the costs for implementing pay equity, employment equity, unionization and mandating levels of service.

We took a brief look at capital expansion and found the government is continuing to indiscriminately fund non-profit expansion. For example, in the Hamilton area in the last year and a half 19 programs closed. However, during the same time the ministry announced \$3.6 million for new non-profit programs in the same area. Looking at the reform proposals in the cabinet document, the ministry expects to expand by at least 50,000 spaces. Current cost estimates place the cost of this at just under \$1 billion.

In conclusion, the reforms proposed in the cabinet document are costly and heavily mired in bureaucracy. Despite recommendations to infuse significant amounts of new funding into the child care system, the problems of the needy remain basically unaddressed. Subsidy lists will continue and child care will remain inaccessible for thousands of families.

We have a number of recommendations and I'll just quickly emphasize the most important ones: The government should recognize parents as owning the sole responsibility for deciding who should care for their children. The government should support privately operated services, acknowledge their cost savings and the valuable contribution they add to the community. Wage enhancement programs to all child care educators should continue. This is an effective use of resources which improves wages while helping to keep fees affordable. The provision of fee assistance should be directly linked to the child and not the centre. Parents obtaining new subsidy funding should be able to choose from any centre that has a purchase-of-service agreement. All child care responsibilities should remain within the jurisdiction of the Ministry of Community and Social Services. Municipalities should continue in their role as local managers of child care. Centres should continue to receive parental fee revenue and wage enhancement grants from the province. Base funding should not be instituted.

Thank you very much and we'd be pleased to take any questions.

The Chair: Mr Phillips.

Mr Phillips: Thank you very much. I want to seriously commend you for a very detailed, thoughtful and very well researched brief. It's probably as good as we've seen. I appreciate the time that must have gone into it. Just a comment and then a question.

It's like we're in a fairyland here. Yesterday the Treasurer was ere saying we have a fiscal nightmare on our hands and there's no way out of it, and then the same government issues a document like this, its cabinet submission. It's like, are we in a different world? It is crazy. I think your brief has been measured by its response, but is devastating by its facts. What is behind all of this, in your minds?

Ms Cousins: I speak from a parent point of view and I personally think it's an effort for the government to control more of the education of our young children. There's no other reason that I can come up with. It's certainly not to improve the system or to help those who aren't being helped now, so the only answer I can come up with is that they just want to reach down and increase their control over our young children's minds.

Mr Phillips: Monte, did you have a question? If not, in terms of where we stand right now on converting private centres to non-profit, can you update us at all on where that process stands now and what's happening?

Ms Buckingham: At the present time, they've chosen about 10 model schools and they're going through the process of evaluating their businesses and getting back to the owners and determining if they do want to convert, and those schools will be set up as models for other centres that wish to convert. They assumed they would have about a 50% response rate through the province of private centres wanting to convert and they didn't get anywhere near that. People would just rather hold on to their centres than convert at this point in time. There's not money there for them.

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The Chair: Mr Kwinter.

Mr Kwinter: I really want to thank you for your presentation. I find it interesting that the government is advocating this particular proposal at this particular time, given the fact that yesterday in Boston the Premier said, and I quote, "The old conflicts, the old rituals of battles between those who argued on behalf of social justice and fairness and those who argued on behalf of economic efficiency and productivity and competitiveness are battles that we can no longer afford," and yet this seems to be exactly that. It is an ideological initiative.

Yesterday, the Treasurer was in here defending his policy of privatizing many sectors of what was previously provided by government, and here we have the government intruding into an area where there doesn't seem to be any reason for it. There doesn't seem to be any reason because it's not addressing any of the problems other than their particular ideological bent.

In your deliberations with the officials at the ministry, have you had any indication from them as to what they think they're going to achieve by doing this?

Ms Cousins: What they indicate this is for is to what they call stabilize the system, and by that they mean help out those programs which are in financial trouble. They feel that at all costs they need to keep the service provider there. Whether or not the demand is there for that program is irrelevant. The fact is the service provider has to be there in order to accept children, which on the outside sounds reasonable, but in reality the demand has gone down and parents are making choices. A very important factor of quality care is choice for parents. There are so many different needs for families that you need a variety of options to satisfy that need.

The Chair: Mr Carr.

Mr Carr: Thank you very much, again. It was a very good presentation. You've had a tough year. The policy that was put together was to drive a lot of the private day care operators out, and we shouldn't be surprised. As a socialist government, they want to do that with auto insurance, they want to do it with many areas. I'm glad to hear they haven't been successful. That's the bad news.

The good news is that they won't be around two years from now. I think everybody agrees with that, and whether the Liberals or the Conservatives get in is just the question.

So two to three years from now, do you see the number of private day care centres staying the same or how many are we going to lose? The reason is, as I believe, that they'd see if they can drive them out in this mandate, that people won't come back in, regardless of what government comes in. Are they going to be able to survive this government and, if so, percentage-wise, how many do you think will?

Ms Buckingham: I don't think very many will, especially with the new subsidy problems that they're having. The government has cut off all new subsidies to private centres. That will slowly close them. I can't tell you how quickly it will close them; it depends on whether they can maintain the number of children in the centres they have now. As soon as the children start leaving, they won't be able to replace them.

Mr Carr: But in terms of being able to survive, there will be some that will be able to make it past two years?

Ms Buckingham: Some will be able to.

Mr Carr: The second question is with regard to the whole issue of education. A lot of the non-profit centres thought they were away, "Once we got rid of the private, we're all set," and they were gleefully sitting back. Now they're going to be put out of business and the reason is the education system, quite frankly, as this provincial government won't have to spend the money. The education is funded through the property tax at about 60%. I think you're right, they want to control them and they say: "Aha. Guess what? We don't even have to pay for it now, the property tax will."

The way they're selling this is they're saying: "It's not going to be a day care. We're going to educate children." I've seen how governments do that. Quite frankly, putting a little bit of an ad lib in, I've watched the education

system and I think not only at the lower grades but all the way up to high school it is a day care centre in many respects. Three- to five-year-olds, how much education can we actually do with them, just from your assessment?

Ms Cousins: I have a three-year-old and a two-and-a-half-hour program of educating, so-called educating, would be more than enough for him right now. They need the emotional, the group interaction, that type of thing. As far as emphasis on educating qualities, a little bit, fine, but not a school environment, no way.

Ms Buckingham: And not a full day.

Mr Carr: I think Ted had a question.

Mr Arnott: Thank you very much for your outstanding presentation. It will help us, those of us who are trying to promote what we see as very commonsense fiscal management practices with respect to the government.

In Wellington county right now we're in a fight over junior kindergarten. Many of us believe that the mandatory aspect of it, that every school board has to offer it by 1994, is economic madness. We can't afford it and we question the need for it.

I'd ask your position on that particular issue. Should junior kindergarten be mandatory across the province of Ontario?

Ms Cousins: No. Based on demand, if the community demands it then that's fine, but if the community does not demand it, if there is a good network of informal arrangements such as cooperatives, neighbours get together, nursery schools, and there is no demand, then there's no way that the education system can afford to pay the cost for something that's not really necessary.

Mr Arnott: This is the issue, and I think Gerry used the word "crazy." In our area in Wellington county we have something like 150 portables, and yet we're going to be going ahead with demanding that schools have the capital expansion that would be required for junior kindergarten. Where is the sense in that?

Ms Cousins: Where do you put them? There isn't any sense.

The Chair: I'm going to have to go on to Ms Harrington.

Ms Harrington: I'd like to, first of all, say to you that our goal as a government is to provide adequate, and that means quality, day care and make it available wherever, throughout this province, not just in selected areas. It's hit and miss.

I think that we can agree on the importance of child care, certainly to the development of the child—and I can see that in my own children at the different types of day care they were in—and also in the ability of women to be able to work and participate in the economy. I think in the overall, it is an economic issue as well as a child development issue. So I think we can agree on that.

I'd just like to say that when I was working my two children were very young. I was forced into a situation, an emergency type situation, where I had to have my daughter, who was two years old, with a neighbour in a basement where she had children who she cared for, in a

smoky atmosphere. I wasn't happy at all. In fact, because child care was not available, I quit my job.

At that time, I took my daughter to a co-op nursery school where the parents participated. It was a great environment and I met lots of the local people around, and very healthy for both the parents and for the children. I think it's so important that parents be part of the system and also that it be adequate, that it be quality and not hit and miss across this province, and that's what we're trying to do. I think Paul has a question.

The Chair: Was that a question?

Ms Harrington: A statement.

The Chair: Okay, thank you. Mr Johnson.

Mr Johnson: Again, with regard to child care, every parent will have a somewhat different opinion as to what they think is the best care for their particular child or their children. From what I gather, from talking to people I know, there's certainly a different view of child care and child care availability and the needs of those children in urban Ontario versus those in rural Ontario.

I come from rural Ontario and I have two children who are now in their teens. However, it doesn't seem that long ago that they were young and my wife chose to stay home and look after them. Even at that time, for a break, we sent them to a day care centre from time to time to give my wife a break. I think that was important for her and it offered the children an opportunity to socialize.

I just wondered, what kind of studies have you done with regard to that very different—children are children—perspective about rearing children and the availability of assistance in rural versus urban Ontario. Have you any comments on that?

Ms Cousins: Yes. You're quite right. Half the parents in Ontario choose to stay home with their children, and child care really should incorporate your own child care as well as formal and I think the support has to be there for parents who choose to stay at home or perhaps want a little bit of group activity for their children when they get older. I quite agree with that and I think that's an area that needs to be improved, as a matter of fact.

One of the areas that needs to be improved is dissemination of more information for parents on the importance of age-appropriate activities, that type of thing. I think if the government can stimulate in areas, particularly in rural areas—they've called it the "hub model" in the past or the "child resource centre" model that they've tried as well—and try to get the community involved in that aspect, I think that's an excellent way of using resources and would satisfy a real legitimate need.

The Chair: Mr Johnson, the time has run out. I know you had another question, but I'm at the mercy of this committee to keep things on time.

Mr Sean G. Conway (Renfrew North): Can I just ask an information question because this is a fascinating brief. I just would like to know something: Who are you?

Ms Buckingham: Who are you, Jackie?

Mr Conway: This is a very compelling brief, and I've sat here for years. I'd just like to know a little more about you.

Ms Cousins: I guess, since it's an issue that's dear to my heart because it involves my children and the future of our nation, I firmly believe that, this has probably taken about 40 hours since the cabinet document became released. The reason for that and the detail that was required is because of the importance, the impact of such a thing. It's a matter of accumulating. I've got about 20 or 30 reports, probably more than that, and it's going through them all and—

Mr Conway: But the brief is really Tracy and Jackie.

Ms Cousins: It also encompasses the United Voices' mandate, philosophy. There certainly are more than two people involved in the preparation.

Mr Conway: It's excellent. Don't feel at all apologetic. I haven't seen a brief quite as refreshing and quite as pointed in its observations and recommendations as this in a long, long time. I commend you absolutely. Very, very useful.

Ms Cousins: Thank you very much.

The Chair: I'd like to thank you for appearing before the committee. This committee is recessed until 2 o'clock this afternoon.

The committee recessed at 1202.

AFTERNOON SITTING

The committee resumed at 1402.

The Chair: We'll resume the consultations of the pre-budget hearings on finance and economic affairs.

COALITION OF ONTARIO
HOMESHARING PROGRAMS

The Chair: The next group to come forward is the Coalition of Ontario Homesharing Programs. Would you come forward, please, and take a seat? I'd like to welcome you to the standing committee on finance and economic affairs. I think you've been here before. Would you mind identifying yourselves for the purposes of Hansard so he knows which mike to turn on when you're talking and to tell the other people who's speaking at that particular time, because at the other end they can't see you. So if you don't mind starting off from the left to the right.

Ms Moira Bacon: I'm Moira Bacon and I'm the executive director of Sharing, which is a sharing agency for seniors in Toronto.

Mr Norman Monkley: My name is Norman Monkley.

The Chair: You can sit back comfortably. He can pick it up.

Ms Christine Chung: My name is Christine Chung. I'm the executive director of the Scarborough Housing Help Centre.

Ms Edna Beange: My name is Edna Beange. I'm the chair of the board of Sharing.

Ms Susan Bacque: I'm Susan Bacque and I work for the city of Toronto in the housing department.

The Chair: Okay, we have until 2:30. In that half-hour, if you can leave some time at the end of your brief for members of the committee to ask questions, okay? You may begin.

Ms Chung: We wish to thank you for the opportunity to meet with you.

I will begin our presentation by introducing the supporters of home sharing in attendance here. We've already done introductions but we also have some people in the audience who represent other home sharing programs. We have come here today to advise you of the ongoing success of the 17 home sharing programs across Ontario. This presentation will enable board members, staff, municipal representatives and clients to highlight the value of this innovative, community-based housing program.

There are three essential points which are critical in understanding the importance of this program across Ontario. They are: home sharing is cost-effective, home sharing offers a broad range of services tailored to meet the needs of a wide variety of clients within each community of service in the province, and home sharing facilitates housing intensification by making better use of housing stock. I'll turn things over to Edna Beange, chair of the board of the Sharing program.

Ms Beange: Thank you. The home sharing programs have been formal organizations in North America for over

20 years. Home sharing has had a national profile in Canada for the past 11 years.

In 1985 the Ontario Ministry of Housing began cofunding programs with municipal governments through cost-sharing arrangements. In the past seven years, this partnership has worked very well. Presently, there are 17 programs. The Ontario model of home sharing is internationally recognized for its effectiveness, cost-efficiency and innovation.

Home sharing programs screen and match individuals who are interested in shared accommodation. They are looking for a safe, affordable housing alternative or looking for help to meet rising costs of maintaining their homes. Intergenerational matches provide support to older people who wish to remain independent in their own home but need the added security of a sharing partner.

Home sharing also assists special needs clients by facilitating housing arrangements in which their unique requirements can be met. These people with special needs would otherwise require extensive government intervention and subsidized housing. Home sharing is a creative community alternative that enables the development of healthy caring communities across the province. In short, home sharing is a means of fostering independence, self-determination and autonomy in the lives of many who have been forced to live in socially and economically restrictive circumstances.

Home share programs also provide access to existing housing for individual residents in a number of ways in addition to actual home sharing. They are often the only avenue in the community for residents to get information about other housing alternatives, to receive help filling out applications and to obtain referrals to appropriate services. Through home sharing, additional units of affordable rental housing are created at very little cost to home owners and to governments. The units are immediately ready for use.

The coalition's 1991 statistics show that 42% of home sharing cases in Ontario involved accommodation that was provided on the market for the first time. Furthermore, close to 80% of all units would not even be on the market if it were not for the home share program. These units are not advertised anywhere else, often because advertising widely in newspapers causes security concerns to single female providers.

The use of this housing stock would disappear without the home sharing program. This is quality stock for the clients whom home sharing programs serve. It is affordable and supportive. In many situations, landlords have become like second families to the clients. In addition, many of the providers are now part of a permanent roster of landlords who have found sharing partners through the programs for several years. In other words, the home sharing programs have developed a new type of permanent accommodation previously not accessible, and the Coalition of Ontario Homesharing Programs, with its 17 community-based programs, can continue to run an effective service.

Therefore, we recommend that the Ministry of Housing continue to fund home sharing programs as part of the permanent core programs offered to the citizens of Ontario. The ministry has expressed the desire to go beyond the bricks-and-mortar provisions to offer more community-based services. Support of the home sharing programs will help in achieving this goal.

Home sharing programs are already well-established in their communities and can provide the expertise and knowledge necessary to establish one-window access to all of the housing options available in each community.

Ms Chung: I'd like to now have Susan Bacque from the city of Toronto talk about the municipal support and community support for this program.

Ms Bacque: As Christine says, I work for the housing department and home share is one of several housing programs that I supervise. I want to share with you some of my thoughts about the local support for this program.

The success of home share is, in my view, due to the diversity of support which each program enjoys locally. The support begins with private individuals such as your constituents. These are the people who use the service. At the city of Toronto we receive 10 to 15 new registrations every week without even advertising the program. When we advertise, this number skyrockets.

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People need housing alternatives, and seek the security, confidentiality and support we offer through the home share office. Some programs in the province have a stable base of housing providers who can, on very short notice, shelter a new Canadian, a single mom or a teenager. Home share involves community members in the solution to their community's housing problems.

Home share staff work with staff from grass-roots agencies and other direct service providers to find suitable homes for people at risk. Home share staff keep informed about recent developments in their communities through this working relationship and through local area networks.

In the city of Toronto we work through a subcommittee of council called the alternative housing subcommittee. At the regular meetings of the alternative housing subcommittee we interact with rooming house tenants, non-profit providers, social workers, drop-in staff and indeed a full spectrum of housing helpers. This is how we check the pulse of the city. This is the chance for staff from local hospitals, shelters, drop-ins and schools to meet the home share officer. One of the results is that we consistently make referrals for people who have health, safety and psychiatric concerns, in addition to housing and economic problems.

Every home share program is required to find at least 25% of its budget from a local source, either the municipal government or a locally based agency. In this way the program is integrated with regional, municipal and neighbourhood social service networks. Offices are shared, staff move among the direct service programs, and this produces a comprehensive approach to community services and heightens municipal capabilities in this area.

The final point I want to make is that because this program receives financial support from municipalities across the province, the cost to the Ontario government is a nominal \$700,000 a year. Home share found housing for 2,000 people last year. Spending a small amount of money on the provincial home share program each year is smart. Homes and apartments are fully occupied and other costly supports aren't necessary. The provincial funding triggers local monetary commitments in a system of integrated solutions to local housing problems.

Ms Chung: We'll now have a presentation from Mr Norman Monkley. Mr Monkley was matched through the Scarborough home sharing program and he's going to tell you a little bit about his experience and how the program has helped him. This is his first time at Queen's Park, so he might be just a bit nervous. Okay, Norman.

Mr Monkley: I went down to welfare and spoke to the welfare office. They sent me to SHAPES. I was on the street, and SHAPES found me a place on Wildlark Drive with a Mr Edward A. Flowers. I stayed with that man for a year and a half. Then he decided to sell the house and keep his cottage up in Peterborough and go there in the summer months. Then he bought a motor home in Florida to go there in the winter. So he was intending to go to the cottage in the summer and to the motor home in the winter. He was going to keep me there, but he said, "Norm, the only reason I can't keep you is that I want to let the house go." I said, "That's fine, Ted." He said, "You were very good living here." So then I went back to SHAPES and Christine found me another place to live, which is Mrs Sheppard. That's where I'm living right now and Mrs Sheppard, up to now, she's been treating me pretty good.

The Chair: That's good.

Ms Chung: Thank you very much, Norman.

That concludes our presentation on home sharing. We wanted to give you an opportunity to ask questions. So if you have any, we'd be happy to answer them.

The Chair: I'm going to go to Mr Carr first, or Mr Arnott.

Mr Arnott: Thank you very much for your presentation. It's very interesting. How much funding do you get from the provincial government, or is there a simple answer to that question?

Ms Chung: The \$700,000 for all of the Ontario home sharing programs, and each program gets \$40,000. There's usually a cost-sharing agreement with a local municipality, and the local municipality contributes 25%.

Mr Arnott: All right. There's a list here of the services you provide. You provide information on the Landlord and Tenant Act, offer mediation services between landlords and tenants and refer clients to legal services and so on. How much of your staff time is taken up by that sort of advisory responsibility that you look after as opposed to actually working with people in terms of finding placements for them?

Ms Chung: I think it varies from program to program depending on how many other possible resources there are in terms of housing in the local community. Unfortunately,

in a lot of communities the home sharing program is really the only one, so rather than turning away people without any help at all, in going through the process to find if home sharing is really the alternative for them it may be that it isn't, so then the program will look at other alternatives for them in terms of housing, whether it's through non-profits or co-ops or whatever that might be. That's a large part of the work in terms of just trying to help that person in terms of his or her housing needs.

Also, I guess a lot of the mediation and part of the mandate of our programs is also to help people maintain housing. If we match them in a place we also provide services in terms of mediating if there are any difficulties between the seeker and the provider in order to ensure they maintain the housing, so that's a large part of what the mediation activities involve.

Mr Arnott: Do you have many members in the north of the province or are they mainly concentrated in the urban areas?

Ms Chung: I would say we're quite well represented across the province of Ontario. There's a program in Sudbury and a program in North Bay, and we also have throughout the eastern part of Ontario: Ottawa, Peterborough. In southwestern Ontario there's a program in London and Windsor. I would say that the programs vary in terms of urban or rural and each program has designed its own structure to fit the community it has to serve.

Mr Arnott: Thank you.

Mr Carr: Thank you very much for your presentation. I think you said you get \$700,000 and you serve about 2,000 people. Was that the correct figure?

Ms Bacque: That was the figure that I used. In our review you can see in one of the graphs at the back I've rounded numbers. There were approximately 1,000 matches last year all across the province, from the 17 agencies. That's an estimate because we didn't get reports from every single agency. So that means effectively 2,000 people were matched; that is to say there was a house and an apartment and someone was living there. When we move someone in we count that as one match. In addition to that the home share officers make suggestions to people about appropriate places to live, for instance, a women's shelter, perhaps temporary places but nevertheless places that are better than simply putting on a blanket on a park bench. So we make referrals to women's residences and other appropriate sources of housing. We call those "placements," and we did about 1,000 placements last year. You'll see it's a little over 1,000 places and a little under 1,000 matches. There we're talking about just one individual.

If you think of it as 2,000 individuals who found a place to live, and you can add into that some of the individuals who had space in their apartment or house but were having trouble affording the mortgage or the rent, and that 2,000 figure doesn't include those people.

Mr Carr: What about when you get involved in matching funds? It's very difficult. What are municipalities saying if you get the funding or any increases? What's going to happen with municipal funding? I guess it will depend upon municipalities, but just in general, are they

prepared to match, do they have some funds to help out, or where are we at with some of the matching funds? Does anybody know?

Ms Chung: Actually, the way the program is structured, if you don't get municipal support you can't get the money from the Ministry of Housing. The experience has been actually very supportive. Most of the municipalities are very supportive. None of the programs have lost that municipal money. If we were to lose that, though, there is the danger then that we would lose the money from the Ministry of Housing. Up until now that hasn't been a problem. Actually, it has been almost in reverse; every time we go through—

The Chair: Mr Carr, I've got to go on to Ms Harrington. I bet she's going to say that the pilot project started in Niagara under Doug Rapelje, and I know Margaret supports it but I can't say that. I think she's going to ask questions of how many singles you've set up in the last year compared to 1988. I know all those questions you're going to ask, Margaret, so go right ahead.

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Ms Harrington: Thank you very much for your presentation. I do believe we have a good program in Niagara. You probably know Bev Goodman; I think she was here last year. I am with the Ministry of Housing; I'm the parliamentary assistant, and it's certainly something that we are discussing at the moment.

Yesterday I was in Niagara Falls with the Minister of Housing and we were meeting with the access to permanent housing committee, which are housing help centres across the region; we have four locations in four cities. We actually discussed home sharing as part of how they provide housing at the housing help centres.

Two questions: First of all, they said that it was mainly for seniors. What proportion now and maybe in the future do you see would be for younger people? Are you able to fulfil that kind of need? Secondly, they brought out the question of the selection criteria and the process that people have to go through. What was said was that it was quite strenuous, the detail involved. How would you address that in the future?

Ms Chung: On the first point about the focus on seniors, what we have found is that each program locally had developed originally seven years ago in terms of the need in the community, and access being a fairly recent program—I think there are discussions in every region now between home sharing and access in terms of, the environment has changed; how are we going to meet the needs of the people in the community now that we have these two programs? But our mandate is to serve anybody who was interested in home sharing. So we serve youth, we serve immigrants and refugees, especially in the Metro area because that's a population that has a great need for housing. So there isn't necessarily a specific focus on seniors. Now, the focus in terms of seniors might be in that the providers, a lot of them, are people who have extra space in their home but they may be matched up with a 16-year-old person who's looking for housing or an immigrant

who's recently come to the country and may be young. So we don't have any restrictions that way.

The other point in terms of the effectiveness maybe of the programs now, that there is access to permanent housing programs in each community, is something that the coalition would like very much to discuss with the province. I think we have our own recommendations too in terms of how the program could be more effective, but I think we need to know what programs are going to be funded and which ones aren't so we can have that type of discussion in our own local communities about which services should be done by which groups and how those best meet the needs of the community.

Ms Harrington: So you might look at working together.

Ms Chung: Oh, yes, we definitely have done.

Ms Harrington: Good, but the question I asked was about the criteria for placing people.

Ms Chung: The criterion set generally, again, is basically an interest in home sharing. We ascertain whether home sharing is the best alternative for them by interviewing them and by checking some references. Checking the references is basically trying to get at, do they have any medical conditions that we need to know about? Because sharing is a unique type of placement. People have to be compatible and if a provider is going to take somebody in who has certain medical conditions then they need to know about that. So it is a little more involved than a placement. That's actually, I think, in a sense the beauty of the service, that we do do that, and so it's not just placing somebody anywhere. We're trying to find people who are compatible and are going to be able to live together for a long term.

Ms Harrington: In terms of intensification of this kind of thing, I'd like to see it expand—

The Chair: Margaret, I've got to cut you off. And there's one thing you didn't mention: that Doug Rapelje is making a presentation to the social development committee on long-term care on this particular issue, so I just wanted to straighten out the record for you there, Margaret. Mr Phillips.

Mr Phillips: I appreciate the work of the group, and I know we use the SHAPES organization a lot from my office. Just so I understand the finances: Each of the 17 groups' budgets is around \$70,000 a year?

Ms Beange: No, \$53,000 a year.

Ms Chung: Forty thousand dollars from the Ministry of Housing and then some of the programs seek other funding from other types of programs in addition.

Mr Phillips: Okay, I was going by this sheet at the back here that said \$70,000 average budget for 1991.

Ms Beange: Some programs are not attached to other agencies, are not able to be. Sharing is one of those. Sharing serves the seniors of Metro Toronto and it's a standalone program. We haven't been able to find anybody to whom we can attach ourselves. On that basis, we are on this very limited budget which hasn't changed since 1988, so it has been very difficult.

There was an inquiry about seniors' housing. There are three in the province that specifically serve seniors: the one in Ottawa, the one in Hamilton and Sharing in Metro Toronto.

Mr Phillips: In terms of where the issue is, are you finding you have more people who want accommodation or more people who will provide accommodation? Is there a significant mismatch there in any way?

Ms Chung: Again, I think it varies from program to program. Our experience has been that it does vary in terms of—for example, even immigrant and refugee policy from the federal government will influence how many seekers in Metro Toronto we have looking at one point, but it balances out in terms that usually for each seeker we can give them a choice. So they're not limited to one or two; they get a choice of different possibilities, and for us that's the important thing, that people get to look at maybe six or seven different providers and types of accommodation.

Mr Phillips: I know you must have said this, and the budget right now from the province is \$700,000. What's that been tracking over the last few years?

Ms Chung: It's been the same for—

Ms Beange: Since 1988.

Mr Phillips: In absolute dollars, it's been the same, has it?

Ms Chung: Right.

Ms Beange: There's been no change.

Ms Chung: And \$40,000 for each program, no matter if they're making more matches or fewer matches or serving a bigger population than another program. It's just a \$40,000 allotment, no cost-of-living increases for each program.

Mr Phillips: In terms of matches, you indicated across the province it's around 1,000 individuals who were matched each year, is that right?

Ms Bacque: No, 2,000: providing to the seeker one match. So we have 1,000 people who have moved into somebody else's place, yes.

Mr Phillips: I was struck by the numbers back here that suggested that the average duration was a little less than I had thought it would be, that it looked more temporary for the accommodation. Is that just because people need almost temporary help as they look for a more permanent place; is that what you tend to have more of?

Ms Chung: It could be, but also I think Norman's experience is a good example of how it might be that he initially moves into a place, the landlord decides to sell the house, but he comes back to us again in terms of finding another accommodation.

We have done studies and have found that the most likely reason for somebody moving out of a place is what we call "change in their status," so it isn't that there were problems in the match; it's just that they've gotten another job in another region or the landlord is selling the house. It's not usually because of incompatibility; it's just people's lives change and so they often seek another accommodation within the same program.

Mr Phillips: How have you been dealing with the budget freeze? What are the implications of that?

Ms Bacque: There's less money available to produce helpful guides for people, to produce information about the Landlord and Tenant Act, which has an unusual application in the home share situation. So there's less of that disposable money, and more money is, of course, being spent on staff salaries.

I have an observation about the current situation in the city of Toronto right now which ties in a little bit to the length of a match, in my view. Right now we have many, many more providers, people with space, than people who are looking for space.

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Mr Phillips: Really?

Ms Bacque: But the people who are looking for space are quite needy in that they're single moms; they're on welfare; they have head injuries; long-term disabilities; they're coming through a hospital to our program. These people with special circumstances in their lives tend to be a little harder to place, so it's a good thing that we have a lot of options available for these people.

Some of our seekers are also going through a life change of some kind: leaving alcohol behind; leaving an abusive husband behind; leaving part of their lives behind. It's a transition in their lives and they are looking for a stable home environment so that they can work that through. I think that because of some relatively unique needs and because these people are oftentimes using the program at a transition period in their lives, the matches are not quite as long as we might hope, but that, I don't think, takes away from the value of them.

The Chair: Mr Phillips, time has run out. I'd like to thank you for appearing before the committee today.

ONTARIO ARTS COUNCIL

The Chair: The next group to come forward is the Ontario Arts Council. Do all the members have copies of the brief? Is it just the Chair who didn't get a copy? I didn't get a copy.

I'd like to welcome you to the standing committee on finance and economics. You've brought quite a bit with you today and I just hope that for all the members of the committee, you'll direct them to what page you're on or what book you're in. And I guess you're going to start off with a video.

Ms Gwenlyn Setterfield: We will. We would like to just introduce ourselves.

The Chair: Yes, I was just going to get to that, but I know he's trying to get a picture on there, so if you don't mind, from left to right or right to left, introduce yourselves in your position.

Ms Jennifer Beadle: Jennifer Beadle, executive office supervisor.

The Chair: Excuse me. Could somebody just shut the door there for a minute? Wait until the TV goes down there.

Ms Eleanor Goldhar: Eleanor Goldhar, director of communications and research.

Ms Setterfield: Gwenlyn Setterfield, acting executive director.

Mr Daryl Novak: Daryl Novak, director of administration and secretary.

Mr Jean-Paul Gagnon: Jean-Paul Gagnon, touring officer.

The Chair: You may begin.

Ms Setterfield: Mr Chair, we would just like to say a couple of words before we show you the video. We thought we would bring a video this afternoon because we are after all an arts group and we are here to try to give you some information about the arts as a sector which we feel is very important to the economic renewal of Ontario as well as being a social good, if you like.

I would like to first of all bring apologies from the members of our council. We are all staff people here today. We have a membership of 12 on our council appointed by the Lieutenant Governor and we would have liked to have had one of them here today. They do all serve as volunteers on our council. Work, winter travel and winter illness have precluded any of them being here today.

The little film that we've brought is actually an excerpt from a larger film, so the quality of it we apologize for because it was taken from a commercial film. The reason we wanted to bring this film today is to show you some of the kinds of work that the Ontario Arts Council is doing in partnership with the community, and this film represents a scope of things that we have included in our total assistance to the community.

It is based on the story of a little community orchestra down in Cobourg called the Northumberland Symphony, and there you will see the volunteer people, the people who are doing the music just for the love of it. You will also see a young man named Barry Shiffman, who is a young professional getting one of his first opportunities to perform with an orchestra. Since this film was made, Barry Shiffman has actually gone on to a quite distinguished international career as a violinist.

The full-length film was made by Rhombus Media, which is a commercial filmmaker in Ontario. This film was produced with the help of government, with private money, and it did in fact go on to be nominated for an Academy Award. So we see here the full spectrum that the Ontario Arts Council can support: community-based amateur arts, professionals, young people, old people and the commercial sector. So this is culled from *Making Overtures*.

[Video presentation]

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Ms Setterfield: We would like to just let you know that at the Ontario Arts Council, music isn't the only art that we're involved in. We also support theatre, dance, visual arts—that's crafts, sculpture, painting and design—as well as an extensive arts and education program, arts in the schools, a special program office for the Franco-Ontarian community, literature, film, photo and video.

Mr Novak is going to say a few words about some of the numbers that you've got in your packages.

Mr Novak: As the province's prime funder of the arts, I thought it would be useful to give you just a capsule of, as Gwen says, some of the numbers.

Our budget in 1990-91, our total operating budget, was slightly in excess of \$36 million, and in 1991-92 we were granted a fairly significant increase of approximately \$9 million, which brought our budget to just over \$45 million. Like many organizations, in this current year we have taken a small cut, which has brought it just under the \$45-million level. Of that budget, that roughly \$45 million, we devote approximately \$38 million to grants and other services to our clients, with the balance of roughly a little under 15% going on salaries and administrative expenses.

Of that \$36 million which goes directly to grants, we're looking there at over 6,000 applications per year, and roughly 3,900 to 4,000 grants being given per year. Now, these grants will range anywhere from \$500 to a writer for a work-in-progress up to a major operating grant to one of the major institutions such as the Toronto Symphony Orchestra, which will be between \$1.5 million and \$2 million, and everything in between.

The bulk of OAC's funding, approximately 97%, 98% of it, does come through the Ministry of Culture, Tourism and Recreation as part of our annual allocation. The balance of funding we make up through sources such as interest income and various other special one-time grants or allocations. We do also maintain some separate endowment funds; we have roughly \$8 million at this stage. What we do with the endowment fund is use the interest to create other very specific awards, and the endowments traditionally come from individuals who've left us money in their wills.

Just a thought of where this all fits in relation to funding of other things in the province and then funding of the arts in Canada: The Ontario Arts Council was the second-largest agency in the culture portfolio of the then-culture and communications ministry. Spending on culture in Ontario was roughly \$33 per capita last year, compared to almost \$1,700 on health and \$650 on education. Ontario is actually the eighth in per-capita spending on culture, and is about average in Canada on actual dollars spent.

Mr Gagnon: I'd like to continue a little bit and talk about the outreach programs and what happens to that money once it gets to the community. I think you saw an example here of what artists in the community can benefit from with subsidies from the Ontario Arts Council, but there's also the other side, the side that deals directly with the community, with people in their own communities—small villages, towns, all across Ontario—who, through outreach programs at the touring office, in the community arts development office and in the arts and education office, receive the benefits of funded artists or funded arts activities.

One example for my office, which is in your package but I just want to point it out: Manitouwadge, Ontario—I'm sure a lot of you know where that is—has a population of 4,600, and for the last two or three years they've been talking to our touring consultant in the northwest, saying, "We really want to get some of the attractions that go elsewhere; we'd like to have them here." With a population of

4,600 they managed to sell out a full performance series to their community, and they now, because of the capacity of the hall, have a bit of a waiting list. So it's one example. We do such activities in approximately 350 different communities across Ontario. So I just thought I'd make that emphasis, bring you that, closer to the community.

Ms Goldhar: Besides giving grants, one of the things that the Ontario Arts Council is very dedicated to is helping its clients be more effective and better at what they do, so we have a number of other kinds of services that we provide to them. For example, we will pay for a management consultant to go in and work with an organization to make it more effective. It's really part of skills development. Our clients identify for us a variety of areas where they need assistance in skills development, and we either fund it directly or we put them in touch with people who can provide those services to them. We also provide them with a number of other kinds of services that are information-related services, things such as research, that they can use in their own lobbying and advocacy activities to raise additional funds municipally, or just information that they need for their own purposes to do their job better, whether it's about advocacy or arts management or our services.

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So we're an information provider, and we're also a catalyst or a liaison type of organization that helps put ideas and talent and money and opportunity together so that the clients can be as independent and effective as possible within their organizations, within their disciplines, within their communities.

Ms Setterfield: Mr Chair, I think that sums up our presentation. We'd be happy to have any questions.

The Chair: We've got about three minutes for each caucus, and I see Mr Dadamo had his hand up. He's the only one who can sing in our caucus, so I'll give the floor to you there, George.

Mr George Dadamo (Windsor-Sandwich): I'm sorry, I don't have any questions.

The Chair: You don't have a question. Mr Johnson.

Mr Johnson: During these very difficult economic times, those groups that would get funding from the province as well as solicit funds from private individuals and corporations, they're having difficult times. I was just wondering if you could tell me what the sense is in the arts community right now with regard to funding. I know you're here to talk to the government, but I just want to get a sense of what's happening out in the private sector. Are the kinds of dollars coming forward that usually happen?

The reason I raise this is, I was the treasurer for a theatre, and so I became aware of the fact that during recessions we seemed to get less money than we did during the good times, and I was just wondering if that was a barometer of what would happen on a larger scale.

Ms Setterfield: I think it does. It happens across the whole spectrum. Clients are reporting that the corporate sponsorship is down in many cases, or is more difficult to get, and obviously small business sponsorship has been very difficult for some of the small groups.

Interestingly enough, the private individual donations seem to be holding up quite well, which seems to say to us that the people really do care about the arts and they really do want them in their community, individuals. And immense numbers of volunteer hours.

Mr Johnson: Absolutely. Volunteerism is, I think, the backbone of the arts. There's no doubt about that. But a little extra funding certainly doesn't hurt.

Ms Setterfield: It's kind of a domino effect. We've had a great deal of difficulty because the federal government has been withdrawing, as you know, for quite some years. Well before the recession set in they had begun to reduce their support. That's a story I know you're hearing from a lot of sectors, and the arts is no exception.

So people have been looking to the municipal governments; they've been looking to the private sector, but as the recession set in, all of those things began to fall by the wayside, and it's all beginning to sort of unravel for a lot of the organizations. And the artists become the biggest subsidizers then. They work for less and less; they turn back their fees; they do those kinds of things.

Mr Johnson: Well, there's certainly a soft spot in my personal heart for the arts. Thank you very much.

Mr Phillips: I wasn't sure on the numbers that you are recommending to us. You said one year was \$36 million, the next year was \$45 million, and then \$45 million?

Mr Novak: And then we went down by about \$500,000 to \$44.7.

Mr Phillips: That's the year that's just ending right now.

Mr Novak: That's the year that we're just ending, yes. Right.

Mr Phillips: And what advice do you have for us in terms of next year?

Mr Novak: Do you mean what do we think is going to happen, or what would we like to see happen?

Mr Phillips: I think all of us appreciate that this is not an easy time, but what is your advice for us?

Mr Novak: Ideally we had hoped to at least be able to maintain our base, and possibly at least have restoration of the 1% that we lost in the last year. That's obviously not what we were asking for in our strategic planning documents and the kind of impact that we had hoped would in fact occur when we got our first \$9-million increase. But we realize that, as you yourself, Mr Phillips, were saying, things are difficult. At this stage we would be secure if we could maintain our position and not drop.

Mr Phillips: Which is \$45 million in absolute dollars—is that it?—which is, in real terms, a modest decline in purchasing power.

Mr Novak: In buying power, yes.

Mr Phillips: That's rather refreshing to actually have someone come in here and be prepared to recommend maintaining spending and not increasing it.

Mr Novak: We can effect certain savings internally that we're working on right now. For example, we're renegotiating a lease and most probably moving premises, so that will net us a couple of hundred thousand dollars, and

there are areas where we're doing the best we can internally to effect some savings. As we say, it's not going to do what we had hoped to do in our long-range plan, but if we can maintain where we are, we feel that we can still provide a viable service.

Ms Setterfield: I would also like to add, Mr Phillips, that even with this money, even if we could just hold even, it's not just going to be a little club that everybody who was there before are the only people who get serviced, and everybody else is shut out. We're prepared to make some pretty hard decisions so that we can continue to broaden the base. Our council has just been through a planning process, and one of its priorities is to broaden that base of assistance to all kinds of communities that haven't been serviced before.

That may not be in big grants, but it may be in the kinds of service help that Ms Goldhar was speaking about. It may mean looking at some organizations and saying: "We've helped you for a long time. We feel that you're on your feet now, and there's another group that really needs help." The first nations' programs, we have some now that need to be expanded. There are all kinds of new communities I'm sure you've heard from whom we have to be partners with too, so it's not just incremental notching down here. We really are trying to be quite proactive in our planning.

The Chair: I'm going to have to go on to Mr Carr.

Mr Carr: Thank you for the presentation. Of the budget, what per cent would be administration? Just a ballpark figure.

Mr Novak: We spend roughly 11% or \$5 million on salaries and wages, which of course is the biggest chunk, and a little under 4% on the other administrative expenses, things like rent, telephones etc.

Mr Carr: So a total of about 15%.

Mr Novak: Yes, a little under.

Mr Carr: Could you give a little bit of an idea what the process would be then, if you're looking at a grant? Say I come to you and would like a grant. What's the process? How long does it take? How does it work? How many people get involved and so on?

Mr Gagnon: We have various types of grants, either advised or juried. A candidate would come to an officer and the officer would examine the request, talk about the request and suggest the best possible way to present it so that the peers, the people that we do get to come in on juries or advisories, are best informed about the activity that is being proposed.

Then similar activities, similar types of grants, are put together as a package and given to these advisers or jurors and examined in context, and decisions or recommendations for funding are made through the peers, through the people from the communities, artists themselves in similar disciplines.

Mr Carr: So the jurists don't get paid then?

Mr Gagnon: They do, yes. They get a stipend.

Mr Carr: Like a per diem or whatever?

Mr Gagnon: A per diem, yes.

Mr Carr: The other question relates to the funding. I think you were right. The first year when this government was in you got a real windfall. I think they were happy to be in and were very pleased to do it. We've heard from the Treasurer yesterday what a terrible financial situation we're in. It'll be \$12 billion or \$13 billion, whatever. That'll work out to costing us about \$15,000 a minute just to pay the interest on the provincial debt. By the time we're done, accumulated debt will go from about \$30 billion in 1985 and it's projected to go over \$100 billion over the next couple of years. You may have read the report that C.D. Howe says there's a good chance people won't lend us money.

We're hearing from groups that are coming in, people before you, talking about people with housing, children's aid societies that are going to have to scale back. How do you answer the question in these limited times people say that the arts should not be a priority when we quite literally have 1.2 million people on social assistance who didn't get an increase? How do you answer that, because I'm sure you get asked that many times, to the average person who would say that in these tough economic times you should be one of the people who gets cut back?

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Ms Setterfield: I appreciate the question and, yes, we do hear it many times, Mr Carr. First of all, we are spending at the Ontario Arts Council \$4.57 roughly per person in the province of Ontario. We feel if you swept away that roughly \$5 and gave it to these other sectors that are spending \$1,600 a person or \$800 a person, our \$5 is not going to make very much difference one way or the other, in solving the problems of the provincial debt or the other social problems in society.

That's to put it in its most crass terms, but to put it on the other side, this is a viable economic sector in the province. There are 66,000 artists working in this province. It's a growth sector. This is a highly trained, highly disciplined, creative workforce. It is exactly the kind of workforce that we are being told from all corners is going to be very important in the 21st century for the growth of our community.

If we don't have those 66,000 people working, they're going to go on welfare or they're going to work in restaurants, maybe if they can get those jobs, but they've been highly trained and they've been trained by this society. We are training artists here in our universities and our art schools, in our dance schools and so on. These are world-famous institutions, some of them.

We trot out our artists on every occasion when we want to attract attention to our country internationally, and we all know that, in reading these reports, international trade, international presence is going to be very important for this community in the 21st century.

One artist's job costs less than \$20,000 to create. We feel that is a terrific investment for the future. Apart from all of that, I have to say that one of the reasons we brought the little film is to say that we still have to have some soul in our lives and in our community, and I think you can see that those people in Cobourg, as she said at the end, "We want it, we need it, we deserve it and we're willing to work hard for it." And they do put a lot into it.

Our arts organizations are not leaving a trail of debt behind them. We have had not one of our clients in this recession who has gone broke and left debt for the public to pay, not one.

The Chair: I'd like to thank you for your presentation before this committee.

Ms Setterfield: We appreciate your attention.

The Chair: Mr Dadamo, will you take over for me as Chair for the last hour here?

LOCAL EMPLOYMENT AND TRADING SYSTEM

The Acting Chair (Mr George Dadamo): Thank you. Mr Khalsa, if you would step forward, sir. Would you identify yourself, please.

Mr Sat Khalsa: My name is Sat Khalsa. I'm the administrator of the Toronto Local Employment and Trading System. I'm here to talk about money.

The Acting Chair: I have to tell you we have 30 minutes. If you'd like to leave some time for questions from the members. Begin any time.

Mr Khalsa: The problem, to put it succinctly, is that we don't have enough money. That's what we think. From the individual, to the communities, to the business, to the government, we don't have enough money. So even though we have things we have to do, services we have to provide, needs that have to be met, children that have to be taken care of etc, we are feeling squeezed. Meanwhile, on the other hand, if we take a step back, do we have enough food? Yes, we do. Do we have enough technology? More than ever before. Do the people of Ontario have enough brains? Of course. Do we have enough talent? Yes. Are we too lazy? I don't think so. I think the problem is accounting. I'm not going to get into it on the macroeconomic level, because then you'll say I'm crazy, but I want to address it on the microeconomic level.

I suggest that communities without enough money still can make use of the people who are unemployed and the resources that are there to meet the needs that that community has. One of the solutions is what we call a local employment and trading system, or LETS. It's a non-profit community-based barter network that blends entrepreneurial and community spirit. It was invented by Canadian Michael Linton in 1982 in Courtenay, British Columbia, and there are now over 200 communities around the world that are using this system or similar systems. In short, what it does is it enables people to do work even if they don't have a formal job, even if they're short of cash to get things they need. I think that LETS can play a vital role in letting a community solve its own problems.

Let me give you some of the evidence I have for that. In Toronto, despite enormous scepticism and no sponsoring groups, no startup funds, we're here. For two years we've been going. We have 200 members and we've facilitated over \$80,000 of non-monetary trading. We don't keep track of the cash that's traded hands, but all the cash that's traded hands was local spending. Much of this trade would not otherwise have happened.

For example, we trade organic produce, sewing, dentistry, day care, word processing, accounting, graphic design,

Mr Khalsa: Yes. I would tend to think that, in harmony with the concept, what we would want to do is instead of, for instance, renting an office, if there's rent that can be arranged in a government facility or whatever, then you do it that way. Again, you try to decrease cash costs.

Mr Carr: You said you speak with a lot of people who say that it's a good idea, but then they don't do it. What, again, in a nutshell is the reason they don't do it? You mentioned the Canadians, but is there anything else? What are the other reasons?

Mr Khalsa: I think people are busy trying to make ends meet in the regular system, but I also think that a part of the problem is that people don't know that it's already been done before. Everybody's waiting for somebody else to do it and they don't realize that it has been done and that it can work.

I think also, if I can be philosophical about it, that we really do have a situation in Canada where people are waiting for the government to do things. We've really lost the habit of self-reliance.

I just wanted to jump back to an earlier point, though, to say that it's a new idea. It's simple but all the ramifications of it are not immediately obvious. So sometimes it can take a while to get around all the implications that it has.

Mr Carr: Good, thank you very much. Good luck.

The Acting Chair: We'll go to this side now. Mr Wiseman.

Mr Jim Wiseman (Durham West): It's an intriguing idea. I have to take a little bit of exception to the thought that it's not being done in massive scales out there. It's being done. It may not be registered in your credits but it's called the underground economy. If Joe here, an electrician, has a friend who needs the basement done, he'll go and do the wiring, but the guy who's getting the wiring done has already had a favour from Bill, who was able to do drywalling. So he'll do that in exchange for having his wiring done. There's billions of that going on. I'm quite intrigued with this notion that you can tax that, because one of the things that is happening is that because the underground economy is so big and so much tax revenue is being diverted, everybody's taxes are a lot higher. So if there isn't very much cash involved in this, how do they pay taxes? You said they could pay taxes.

Mr Khalsa: Revenue Canada's ruling on taxation is that earnings in kind that are done in your main line of work are taxable, but earnings in kind that aren't in your main line of work aren't. So if I'm a dentist and I charge 20% green dollars for dentistry, I have to pay income tax on the full 100%.

Mr Wiseman: Well, you're supposed to.

Mr Khalsa: Yes. In a store, if I'm selling it for 50% cash, 50% green, I have to pay GST and PST on the full 100%. However, if a dentist goes homes, fixes a neighbour's VCR, gets paid green dollars, it's not taxable.

Mr Wiseman: I'm not talking about that.

Mr Khalsa: Okay. You're talking about the GST and the PST?

Mr Wiseman: I'm talking about an electrician, who makes his job on a daily basis, doing the wiring for his friend's basement, or a plumber doing the plumbing for his friend's basement, in exchange for that friend who is a drywaller drywalling his basement and all of that. That's their line of work; that's what they do, and yet there's a huge, informal exchange program going on out there.

Mr Khalsa: I think I'd be misleading you to say that LETS is going to enable people to catch that sort of thing, stop it from happening. It might even enable it to happen more, but it wouldn't hurt—

Mr Wiseman: That's the problem.

Mr Khalsa: —the provincial economy in terms of taxation, because cash is changing hands in most of these transactions. The great majority is cash changing hands. So that's cash economic activity that is taxable. I don't think that people will mind paying taxes on cash trading. It's when they pay taxes on green-dollar trading that people tend to have the objections.

Rather, it will stimulate the cash economy. It won't decrease the cash economy, because cash is still needed but it's just that a little cash will go a lot further. For example, if I need to buy a table and I don't have \$100 to buy it, I don't buy it; and so the sale isn't made. But if I have \$50 and I can do it \$50 cash and \$50 green, I buy the table. The guy gets some money. I get the table. He takes the \$50 and he spends it somewhere else and so it stimulates things. Otherwise everyone just sits on what they have, and we all go down the tubes.

If we can get local businesses involved—presumably it's harder for them to avoid the taxes and they don't really have any—the benefit of using green dollars is still enough to compensate for the fact that you still will pay taxes.

Mr Wiseman: Thank you.

The Acting Chair: There's still a few minutes left, sir, if you'd like to field more questions.

Mr Khalsa: Sure.

The Acting Chair: Mr Johnson, you're next.

Mr Johnson: Mr Khalsa, this is most interesting. I'm going to follow along my colleague Mr Wiseman's questioning, because basically what he started off with his questions was what I was going to do. I want to just take it a little further.

In rural Ontario—and I suspect, well, maybe everywhere in fact, but I'm familiar with rural Ontario and I know this is the kind of relationship that takes place right now—to encourage the government to get involved in this and to promote the idea, on one hand, and as an avenue to collect more revenue, I think that the people of Ontario who enjoy this experience right now would really be annoyed with a government that put its finger in one more area of their lives that it wasn't involved in, because we get the feeling—all of us as elected representatives—that the government has its finger in too many corners of what we're doing. I think that if we were to pursue this, as you suggest, it may actually annoy people more. That's just the feeling I have. Do you have a comment on that?

Mr Khalsa: Other people have said the same sort of thing. I want to clarify: I wasn't saying that this was a way for the government to raise more revenue. I was saying that this is a way in which government can help communities to help themselves by making them aware of the viability of this concept and of its legality.

Mr Johnson: I think it's going on to a large degree and I think, as Mr Wiseman suggested, there are those tradeoffs. I think a lot of bartering takes place. In fact, I know it does in my community—a lot of bartering.

Mr Khalsa: A lot of barter does take place.

Mr Johnson: It makes the area look a lot more wealthy than probably the types of incomes that the people actually receive, in fact.

Mr Khalsa: I would suggest that the advantage of this system is that it expands the ability of people to get things. Barter is only people you know; it's limited, and it comes and it goes. This is a more systematic accounting that allows people to participate with more ease and it allows the full range of goods and services to get involved. We want to get food, clothing and shelter. We want to get rent in there.

One system I know of in Saskatoon that I actually helped get going because I was finishing my degree there—they do have all those thing on to the system. In individual cases, people might be able to arrange these barter deals. This makes it easier and it doesn't hurt. It's not like the government is encouraging people to cheat. I think the reverse is true. People come to us and they're concerned that it might be illegal. We always have to assure them: "No, no, this is legal. The government is aware of us. This is not a problem." I don't think the people who are attracted to our system are trying to avoid taxes.

The Acting Chair: Mr Johnson, your time has expired, and I thank you very much. Mr Khalsa, thank you for coming before this committee today.

1530

ROBERT T. ATKINS

The Acting Chair: Our next presenter, I guess, is waiting in the wings outside. His name is Robert Atkins and he's a chartered surveyor from Cavendish Drive in Burlington. He'll be making a grand entrance soon. Mr Atkins, welcome to the finance and economics committee.

Mr Robert T. Atkins: Thank you very much.

The Acting Chair: You have 30 minutes. The process will allow you time to make your presentation, and of course we'd like to ask you some questions too, so if you will leave some time. Thirty minutes will pass very quickly.

Mr Atkins: I'd like to thank you for the opportunity of being before you and making my comments to you. My presentation addresses capital budgets and the dynamic process necessary to control them. My presentation is made in the recognition that, historically, capital spending has not been well controlled and that in the current period of fiscal constraint, better value of public money is desirable.

I've submitted a written brief titled Controlling Capital Costs, and I understand you have all had copies of that. I've also prepared a further handout including some simple graphics to which I'll refer in my talk. There's a one-page résumé, page 5 of the handout, which shows my aims, experience and qualifications, and I believe you've all got copies of that. I understand that questions will be right at the end.

What's the problem? Capital projects regularly cost more than anticipated, often by a significant margin. This applies to publicly and privately funded projects, both large and small, in all sectors and in all regions of the country. I can give some recent dramatic local examples: SkyDome, Darlington nuclear power station, Art Gallery of Ontario. The situation repeats across the province and it repeats across the country: Montreal Olympics; Calgary Saddledome; Museum of Civilization, Hull, Ottawa; National Art Gallery of Canada, Ottawa. I can go on and on. This is just the tip of the iceberg. The list is endless. I'm not privy to detailed accounts of all these projects, but the overruns are reported as being huge, often exceeding 100% and in some cases exceeding 300%.

The purpose of my being here is to present to this committee a suite of concepts, ideas and procedures for consideration which, if applied, will stop future cost overruns. It'll improve value for money. This in turn will assist in deficit reduction and eliminate fiscal waste on capital projects. I understand what those words mean, "eliminate fiscal waste on capital projects." I call the concept total value management.

I want government to get good value. I don't want to see it exploited, as it has been in the past. I want to see it well managed in its capital program and I want to see deficits eliminated—don't we all—and taxes reduced. It can be done, and I think it can be done for a minimal cost without impinging on functional space or on quality. Currently, these concepts either are not properly applied or not applied at all.

I'd like to just state at this stage in the proceedings that I don't represent any company or specific interest other than the interest of effective capital control and management. I don't have authority to speak on behalf of any of the professional organizations of which I'm a member, nor do I claim so to speak.

What's the reason for overruns? Overspending can be a result of changing needs leading to expanded project scope where government may still be getting good value for money, but in the vast majority of cases, overspending is not good value and it results from one or more of the following circumstances: lack of effective cost planning concentrating on prevention rather than cure; a lack or misunderstanding of project information; non-adherence to effective commitment, approval and spending conventions; an unclear or inadequate delegation of responsibility and authority.

There's a pervasive belief in senior management, which I've seen time and time again, that it's not possible to control capital cost with any degree of certainty. Consequently, there's a commonly held view that it's not cost-effective to try to control costs, nor is it necessary to

allocate specific funding for that purpose. A reliance on the expectation, tinged with hope, that everything will come out right in the end, is a common approach. Experience in the daily press tells you that that simply doesn't work. In some circles, even, a 10% overrun is deemed normal and acceptable—it's almost institutionalized—and I think that's terrible.

So what do I see as a solution? I think a commitment to control should be communicated to government staff, consultants and contractors at the earliest possible stage in clear, unequivocal terms, and restated regularly during the project progress. Resources should be allocated specifically to plan and manage costs, and cost management policy should be written or an existing one reviewed.

Policies should be circulated and acted upon, and should be referenced in consultant agreements and contracts. Responsibility and authority to apply the policy should be given to a suitably qualified and experienced staff person or consultant who would report directly to the senior executive responsible for the project. The person should not be under the direction of another authority or discipline or under the direction of an architect or an engineer.

If I can refer to the blue bound item, page 1 is "The shock absorber." In most project teams, there's a knowledge gap. The design disciplines don't know or understand what is required of them by client management, or what accountability disciplines require. Client management and accounting is reactive to the event. It doesn't control, and often doesn't understand, the design and construction process. There's no shock absorber, which leads to a rough and a dangerous ride.

There's a requirement to connect these two essential facets of design and of accounting of a project team firmly but flexibly. The connection between these needs to translate the needs of each for the understanding of the other; a foot in the design and construction and one in management and accounting, a shock absorber between these two disciplines—I call this person a cost planner or value manager—a shock absorber to smooth the ride, a conduit for project information and a support for the framework of the whole team.

Cost planning and value management are predicated on the necessity of advising the client owner, the government, at each stage of the project of the real status of the project, of the outlook, if the current plan is maintained, and of available options, with their potential impact, on the project if implemented. Cost planning and value management identify the risks and the status of the reserves which will have to accommodate them.

1540

What action should be taken to enable application of this type of process?

The project must be clearly defined at the earliest possible stage, and I'd reference page 2 of the blue bound document, which I titled "Cone of opportunity." This shows that at the concept stage, the left-hand side of the graph, the world is your oyster. You can buy a Pinto or Rolls Royce. All your options are open. But as the design information and the requirements and scope get defined, it narrows down so that your flexibility potential continually

reduces as you pass through the project. Once you get through to design development, you just have to make revisions to documents. As soon as you get into the construction phase, you have to make physical reductions. Things have to be changed, taken down, altered in some way, and the point of this graph is that the decision should be made early so that you make the decisions and you have all your arguments and discussions at the outset, right at the beginning, when the flexibility is still open to you.

If you turn to the next page, 3, "Change management," you'll see that that graph shows the ease of change at the early part of the job, over to the left-hand side. You can see the amount of effort for the result achieved. If change is delayed, the amount of effort required increases and the result diminishes.

Changes should be made at the beginning of the job, before you're committed to drawings, before you're committed to specification, before the job gets into any sort of production.

The scope must be analysed. Any scope that you prepare should be analysed using a realistic work breakdown structure, so you can see what's going on. The scope, the cost and the schedule, both current and forecast, should be objectively reported, starting from inception, from the very beginning of a job, and continuing to the final settlement of all accounts. Informed and timely management and control decisions can then take place in sure knowledge that you see the picture.

I'd refer to page 4, the 10 commandments of value management. This is contingent on, as it says at the top of the sheet, two fundamental requirements: controls are treated as a discipline in their own right, not subservient to other disciplines, and the controls discipline has authority and responsibility.

The commandments are fairly clear:

- Define the scope clearly and comprehensively, so we know what we're supposed to be doing. Everybody knows what it is we're supposed to be doing.

- Apply a formal cost planning process so that there is some structure where the costing and the forecasting are analysed and reported.

- Develop a schedule very early on, so that everybody knows when things are supposed to be happening.

- Organize a method statement meeting, so that all the parties to any form of capital program are together early on, so that each of them understands what it is they're required to do, whether it's an accountant or a designer or a cost planner or anybody else, for that matter—an operator.

- Include incentives in contracts. The incentives at the moment are not to control; they're exactly the opposite. You should have incentives that pressure people into controlling.

- Have a value management workshop, where the value of the job is investigated in a forum among everybody, so that everybody knows what the important things are and what the unimportant things are and they can be gotten rid of.

- Impose a formal change control system, so that changes don't just happen by osmosis and just appear and

just bubble up; they're controlled and managed, and no change moves forward without appropriate funding.

— Require timely and detailed reporting so that the people who are taking the decisions know what is going on. Most projects are hijacked from the client, certainly from the government, and they don't have a clue what's going on and the project has its own momentum and away she goes.

— Manage reserves and expenditures. That sounds a simple thing, but there need to be reserves put there which are controlled. Contingency is seen as a slush fund that people just dip into. Contingency is not a slush fund, and requires just the same authority that the main contract requires.

Timely and effective reaction to the reports and information arising from these commandments will ensure—and I understand what the word “ensure” means, too—that the final project cost will not exceed funding.

What will be the result if this is put in place? It will maximize the effectiveness of available funds. It will reduce risk to the client. It prevents or reduces abortive work. It reduces the incidence of delay. It eliminates fiscal waste. It minimizes changes and improves the likelihood of achieving value for money.

This process is not new. It's been used before and it works. If I could make some examples, I was the director of capital budget at Expo '86, the world's fair, responsible for \$376 million of expenditure. This process was applied there and worked like a dream and we ended up with not an underrun but not all the reserves were expended. We had 2% of the capital budget left at the end of that, and that was a very difficult project with a very tight time frame.

At Hotel Macdonald in Edmonton, and I know that's not a publicly funded job, CP Hotels, I was responsible for that. That's \$30 million. The complex rehabilitation of a heritage structure, that was finished on time and there was a return to the general account of some funding. These principles were applied throughout. There are many other examples. I wasn't engaged on Darlington.

Mr Wiseman: Nobody was.

Mr Atkins: No, exactly.

Who benefits and is there a downside? I think everybody benefits. Certainly the client, the government, would benefit, but the designer and the contractor would benefit also. We saw in the paper just recently the architect, Rod-erick Robbie, on the stadium who has still not been paid and he's not been paid because the job was not controlled; not that he didn't do a good job or a bad job, that doesn't enter into it, but he still hasn't been paid and that's because that job was not managed effectively.

I think the benefits apply certainly to the client, certainly to the government. I think they apply to the architect in that he is controlled so that he can't get into a situation such as Mr Robbie's, and I can give you histories galore of that. The contractor knows what he's got to build, what he's got to do. Changes are minimized and he can just get on and do it. I don't think that's cloud-cuckoo-land.

Who has the knowhow to implement something like this?

— The shock absorber needs to be a cost planner and a value manager who has wide experience on large projects, who knows how to plan and manage capital cost and who is dedicated to the control of the project, someone who believes that the prevention of capital cost overruns is in itself desirable. Taxpayers have the right to expect that their money is not wasted.

— A person who believes that there are effective control processes which have been successfully demonstrated and which have relevance, no matter what type or size of project. Controls can be applied without compromising realistic requirements, plans and designs while still maintaining acceptable standards of quality.

— Somebody who believes that the prevention of overspending can only be achieved through a clear commitment by the client/owner, by the government, to a fiscal responsibility program, which incorporates objective planning, reporting and management. If a project is not subject to formalized cost management processes, the likelihood of cost overruns are significantly increased.

There are few such people available to carry out this task, but that's a shopping list of skills which you should require a consultant or a staff person to have.

What will be the cost?

Funding necessary to support a viable cost planning and management process will vary. Normally, it's about 1% of the capital cost. On a very large, straightforward job it will be significantly less. On a building that's multi-phase, complex, perhaps employing construction management, it could well be up to 3%. It could be more than that. On a megaproject with a high proportion of cost in large bought-out items, I would expect it to be very much lower because you're getting big packages of things. On something like Darlington, I would have expected just the cost management process to have cost around \$15 million, something like that.

I hope the committee's found the presentation interesting and to the point. I hope that it creates an environment in which some of the implementation of these ideas and concepts could take place, and if you require any more information or any fleshing out of these ideas, I would be pleased to present it to you at any time.

The Acting Chair: Mr Atkins, thank you very much. I guess we'll try to flush out some more information from you now. You've left us with about three minutes per caucus and we'd like to start with Mr Carr.

1550

Mr Carr: Thank you very much. Your presentation is very thorough and very interesting and I think we need it.

I want to talk about an area where I think we really need it. I don't know if you're familiar—the auditor did a report on non-profit housing this year, which is absolutely scathing. We'll spend about \$5 billion, all told, within operating budgets of \$1 billion, and I want to read you what the auditor said. He said, “...the approval of over 70,000 assisted housing units in five years was a significant and costly undertaking.” In other words, that means the taxpayers got ripped off.

In it, he says things like "over 25% of the projects" didn't even have budgets and approvals. Supposedly the Ministry of Housing approves them. They had allowable maximum unit prices, and I am reading from the auditor's report, which became the target price rather than a ceiling. So you've got all these and if you read it, page 125 to 136, as a taxpayer you'd be absolutely frustrated. Everything you said happened is happening in non-profit housing, and we're talking billions, not millions of dollars here.

Why is it that these abuses seem to be happening more frequently when the government does it?

Mr Atkins: I'm not so sure that that's true. I think you can make some exceptions. People at the big oil companies and so on control their costs very well and put in processes similar to the one that I've described, but government is seen, and I'm speaking as somebody who's in the industry and I see it on a daily basis, as a soft touch. It's a bottomless pit. They know they're going to get paid, and they do if they carry out a job even half decently. I just think that most contractors, most consultants, see government as a soft touch. I see that happening regularly, and the government does not put in place the sorts of controls that I'm talking about.

This is tough. Handling other people's money is a very high responsibility, and I've been doing it all my life, but you have to be tough. There's no luxury in it of judgement in terms of: "Oh, I think that's a good idea. We'll do that." If it's not authorized, it's not authorized and it doesn't go.

Just one thing on Expo: Initially, one of the architects tried to issue changes without getting authority of the project manager or of the organization, and I sent him the bill.

Mr Carr: Good.

Mr Atkins: And I made him stick it. I picked a little one so that it wouldn't kill him; it was \$2,000 for the first one. I did it twice. I didn't have to do it again, but I would have done it and I would have done it whatever it was for. I'd have sent him the bill, because nobody had authorized spending that money. There are a lot of engineers out there who would have had big bills on Darlington.

Mr Carr: In all fairness to the people who work at the Ministry of Housing, politics being what it is, many of the time lines are driven by political considerations. We see that every day when people say we have to get this done because politically we're getting a lot of heat. A lot of times it isn't the actual people working in the ministry; they're even more frustrated than the public is.

But getting back to the Expo situation, you talked about your success with that and you used some of the figures, so they brought you in. Obviously a great deal would go to yourself, but would the success be the people who hired you and would that have been Mr Patterson or was it the government of the day or why did somebody decide to bring you in? I'm not looking for any credit for anybody, but where does the success for that lie? Who was the one who said, "This is what we've got to do"?

Mr Atkins: It was an ideal situation. There was no historic baggage. There was no existing organization. We were creating an organization on a blank sheet of paper. We could write our own policies. I knew the VP of installations. I'd worked with him on Canada's Wonderland just here when I

put the cost management process in place and then got fired. But it was really a networking thing and I knew the guy who was there and he knew what I did and said, "Come in and do this." I was in at Square One before the decisions were made at the very earliest stages. I could write my own policy and that's what I did, and I would say that Jimmy Patterson had absolutely no bearing on it whatever.

The Acting Chair: Mr Atkins, there's a question now from Mr Wiseman. Thank you, Mr Carr.

Mr Carr: Good luck.

Mr Wiseman: I'm interested in your source control because there's a hospital being expanded in my riding and it was ongoing for about 15 years of planning and, over a series of governments, ours has finally implemented the expansion.

What's interesting about that was that when they put their tenders out to the private sector and the tendering came back in, it was much lower. All of the bids were much lower, by \$2.5 million, than what they were three years ago. The presumption is that they will meet those costs, that what they've bid they will do. I can see you smiling now, so that's a good place. You can tell me why you're smiling at that.

Mr Atkins: I don't place a credibility on tenders. A tender is the highest number that a contractor thinks he can get away with and get the job. It's nothing more or less than that. He uses quantities and measures and looks at the drawings to come up with that number, but it's almost a roll of the dice. On those jobs—you know what the marketplace is now. The marketplace is ultracompetitive and the construction industry is really hurting. Your bidders will go in at the highest possible figure that they think they can get the job. Then what they'll try and do is recover that, because that doesn't reflect the real cost to them; they are looking to make a profit, of course; that's why they are in business. They will try and recover that situation up to the level that it should have been, that possibly the estimates that you had some years ago, would suggest.

Certainly, the prices that are being bid now are down at 1987-88 levels, there's no question of that, and in some cases even lower than that, but the final cost doesn't relate to the tender at all and we should all know that and all recognize that. There's very little correlation between the two things. I think what you've got to do is look at the budget, look at the risks. The tender is just one piece of information that's coming in.

The first bid that we ever got of Expo, just as an example, came in at half my estimate. People said, "Why is your estimate so wrong?" I said, "No, why have the contractors bid wrong?" That was my reaction straight away. "Why is his bid wrong? We'll accept his bid, but why is it wrong?" In fact, he had left out all of his equipment as it turned out. But we accepted his bid. The argument then came to me that we should reduce all the estimates that we'd put forward, and when I was showing an over on Expo at that time, everybody thought that was a load of nonsense. But that was the situation at that time. I think you've got to be very careful. People used to say at Expo, "We'll get some real numbers in now; we've got

some tenders.” Tenders aren’t real numbers. Tenders are wishful thinking. Don’t place too much emphasis on tenders. Place emphasis on somebody who objectively is giving you cost information. That is not a general contractor.

Mr Wiseman: Real quick: Do you know of any courses being taught at any of the universities or anything that teach just what you’ve outlined?

Mr Atkins: Yes, there some courses in project management at Ryerson. I have, in fact, taught courses at the University of British Columbia to the architects there, a very small course. In fact, that’s a requirement now, that they have some cost management. But no, there’s not enough, in my view. In fact, I have a proposal into Ryerson at the moment to run a course along these sorts of lines.

Mr Kwinter: Mr Atkins, I’m curious to find out how you would address the situation that happened at the SkyDome. At the time that the tenders were let, everybody in Canada was aware of the debacle of the Olympic Stadium in Montreal and what had happened. There were criminal charges laid from contractors and all sorts of payoffs and things of that kind. So the public conscience or the consciousness was there about not having that happen at the SkyDome, and the successful contractors were compelled to provide bonding to make sure that the project would come in at the price and at the time of the tender document, and there were penalties for non-targeting of those particular things.

The big problem with the SkyDome was that owners kept changing and kept adding as it went along and there was nobody there to say, “You can’t do that,” because they were the owners. So you suddenly had health clubs and hotels. I know for a fact that some arbitrary decision to have it open up on a particular day, instead of when it would naturally have been finished, cost them over \$1 million just in temporary stairs for that SkyWalk. How do you deal with that?

Mr Atkins: If you got a method statement and you’ve had your team together so that everybody understands and it’s written down, the options of adding in a hotel, which in my view was absolutely ridiculous—that hotel cost \$300,000 a room. I don’t know of any other hotel in the world that cost \$300,000 a room. You rightly described the situation, that the changes kept going on. If I was running that situation and I had any authority, I wouldn’t let those

changes go on. “If you want to put a hotel, where’s the money?” I would look at that hotel and I would have said that it was about \$116,000 a room. I’d have wanted that money up front. I’d have wanted to know that that money was approved before you proceed. You can’t spend money that you haven’t got. Most projects don’t do that.

I can speak to some particular projects that I’ve been brought into late on where the owner has got himself into precisely that sort of position. He’s changed and added things without any report, without any note, without any drawdown of reserves, without any statement of the status of the job at that time. And people say, “Good heavens, it’s cost us a load more.” Of course it’s cost a load more because you’ve done this, this, this and this. What happens is, once a job is out of control, it is out of control and the value in the job just plummets. It falls straight down, because who cares any more? And the answer is that nobody cares any more, unless you’re riding shotgun on all those changes, and schedule is one of those too. At Expo, we had May 2 as our opening date, which was cast in stone four years before we opened, and we opened that day and it was finished, more or less.

If the schedule is brought in, there’s an impact on cost of the schedule, of course. Things like temporary stairs and hoardings, and if I put my mind to it I could come up with a list as long as your arm, of the costs of accelerating a schedule. I would report that as an overrun straight away. Even though there may be some reserves money still there, that is reserves money that wasn’t assigned to put this acceleration in. That was for something else and I’d report an overrun to you. You wouldn’t like the report I gave you. I usually get shot at because I try and speak objectively about the status of a job. People don’t like to hear that. They certainly don’t like to hear it at the beginning; everybody’s friends. I don’t want to be friends at the beginning; I want to be friends at the end and I want people to come to me again for another job.

The Acting Chair: Mr Atkins, thank you. Have a nice trip back to Burlington.

This finance and economics committee is adjourned for today and we will meet again Wednesday, February 24, 1993, room 228 at 10:00 am.

The committee adjourned at 1603.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 24 February 1993

The committee met at 1002 in room 228.

PRE-BUDGET CONSULTATIONS

FAIR SHARE FOR PEEL TASK FORCE

The Chair (Mr Ron Hansen): Good morning. The standing committee on finance and economics will carry on with the pre-budget consultations. I'd like to welcome the first group before the committee, the Fair Share for Peel Task Force. We have until 10:30. In that period of time, if you'll leave some time before 10:30 for questions from the committee. You may begin, and please introduce yourselves for the purposes of Hansard also.

Mr Hal Brooks: Good morning. My name is Hal Brooks and I'm past president of the board of directors of the United Way of Peel Region and currently chairperson of the Fair Share for Peel Task Force. This is a group of major child and family service agencies in our community. With me this morning is Mr John Huether, who is the executive director of the Peel Children's Aid Society. There are a number of task force members also in the audience this morning. I would like to start by making some preliminary comments and then highlight for you the report which you've already received.

We're very concerned in Peel about our community. The infrastructure required to meet child and family service demands in Peel is, in our estimation, totally inadequate. Furthermore, the gap between demonstrated needs and service capabilities, in fact, is widening and has widened since our last report. The implications of this gap are indeed serious and they challenge the very social stability of our region.

The issues raised in our report are not new ones. Peel, like other outlying regions in the greater Toronto area, has experienced dramatic population growth. Rapid transformation has occurred from a rural to an urban profile. One third of our population is immigrant, one third under the age of 19, and both fractions are considerably higher than the provincial averages. Along with the rapid development of Peel has come all of the opportunities, challenges and, yes, concerns of urban life.

The agencies that provide service for children and families in Peel are frustrated because the tremendous growth in need in our region has far outstripped our capacity to meet it; frustrated also because the primary resource allocations from the province do not presently recognize this growth nor provide for it.

We were heartened by the adoption in the Legislature in June of 1991 of resolution 15, and I'll read it to you:

"That, in the opinion of this House, recognizing that there currently exists a chronic underfunding of social services for children, youth and families in the region of Peel, which has caused a report to be prepared by the Fair Share for Peel Task Force consisting of volunteer presidents and senior

staff from the..." various agencies "...which report has clearly shown the need for a consistent method for allocating provincial grants for social services," this Legislature then directs the Minister of Community and Social Services to "take concrete steps to increase the service base to a satisfactory level over a five-year period and develop an equitable funding formula that recognizes population growth dynamics and social indicators."

The Legislature recognized at that time both the seriousness of the issues at hand and the need for decisive action on this front on behalf of not just the children and families of Peel, but of Ontario in general. We were very pleased that the present Minister of Community and Social Services, Tony Silipo, supported that motion.

In January 1992 we met with the Honourable Marion Boyd and were impressed with her understanding of the issues we faced and her commitment to action. Both the Minister and staff of the Ministry of Community and Social Services have acknowledged the inequities that exist in the present funding arrangements.

The report you have before you today reflects updated census data and Ministry of Community and Social Services funding details. Behind each statistic is a human face, real people with real needs.

If you'd like to turn with me for a few moments through the report—I'll let you read it at your leisure, but if you turn to page 6 where the first chart appears, just to explain how the booklet is set up.

You'll notice that in Peel there's approximately 220,000 children, each of which presently receives from the ministry some \$93 on a per capita basis, up slightly since the 1989 data. You will notice, for comparative purposes, that if the child lived on the other side of the Etobicoke Creek there would be almost four times as much per capita allocation, over \$330. Indeed, the provincial average, you'll notice at the bottom of the chart, is \$238 and change.

Sadly, the gap between demand and service capability is growing wider; not surprising then that clients are waiting in excess of 14 months for service, which is really tragic. If you read on through the case studies, you'll get a sense of the human face of the issue. Similar situations occur in virtually every other area of child and family services highlighted in the report.

You will notice, if you turn to page 12, that Peel's per capita allocation for adult services increased some 1.9% since our last report, while the provincial average over that same period increased 21%. Again, case studies are provided of people waiting 8, ten months for service, people that are victims of child abuse and so forth. There are also profiles that speak to the issue of developmentally challenged young people in our community and the dearth of service that's available.

If you'd now turn to the summary page on 16—this summary chart highlights the enormous annual shortfall in provincial funding that flows into Peel. I'd just like to provide some context to the numbers. You'll notice that the gaps between the present arrangements and the provincial averages represents some \$79 million. My background involvement, as I mentioned at the outset, is with United Way. That's 12 times the total United Way campaign achievement for this current year, and that's just the shortfall in terms of Peel's allocation compared to a provincial average. This is obviously an enormous sum. It's not surprising, then, that the number of needy children and families in Peel is growing.

At the same time, we certainly recognize that the government faces extremely difficult budget decisions. We would argue all the more reason, in such stressful times and short resources, to ensure that what is available is spent effectively, efficiently and equitably across the province. We also recognize that an improved funding formula must reflect social indicators as well as population growth.

What do we want from the province? First and foremost, from the government, a recognition that children and families are our greatest and most important precious resource that we have in Ontario. We need funding formulas and priorities in the government that reflect this.

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Secondly, the recognition that areas with high population growth, like Peel region, have not been adequately served by the current funding algorithms. That point is admitted by virtually all sides to the argument. Redress is chronically needed through an equitable formula that recognizes population growth and social indicators.

In conclusion, to date we've been very encouraged by the broad base of community support in our region and elsewhere for this initiative. It's imperative that this government now give serious consideration to the issues outlined today and to take action as it plans for its 1993-94 provincial budget.

Mr Chairman, thank you very much. We would be pleased to answer questions.

The Chair: We'll have approximately six minutes per caucus. I'm going to go to Mr Mahoney and then Mr Callahan.

Mr Steven W. Mahoney (Mississauga West): I'll be brief, because I think Mr Sola wants to ask a question too. I wonder, gentlemen, if you could address what you see as either the root cause or the fact that things apparently have changed, turning Peel region into a much more urban community than a rural community, which may explain why historically there has not been a catch-up or parity maintained between regions like Metro and Peel. We hear Metro saying they are being ignored, in their big day last week at Metro hall, by senior levels of government, but these statistics, particularly in the area of human services, clearly prove that Peel region has been ignored in the distribution of these funds. What do you think has caused this? Maybe elaborate on that.

Mr Brooks: Maybe three or four very quick comments and perhaps John Huether, who has a longer view of these issues, could comment as well.

It's my understanding that when Peel began to experience the phenomenal explosive growth, there was in fact a very thin service infrastructure or network in place in Peel, so there were really two issues. One was attempting to build the network while at the same time there was this phenomenal growth in population.

That would not have been the case of communities of comparable size to Brampton, like perhaps London, Ontario, or elsewhere that would have had a network in place. As they've grown over time, the network has expanded. We came in with a very paltry beginning level and then with the tremendous growth in population we just have not been able to keep up. Witness the fact, as I mentioned in terms of statistics, that in the area of children's services, the dividing line of the Etobicoke Creek represents a fourfold difference in per capita funding.

Mr Robert V. Callahan (Brampton South): As I understand—and you can correct me if I'm wrong—you're recognizing that the government is in dire financial straits. You're not looking for more money, is that correct? You're looking for a better distribution of it.

Mr Brooks: Yes. We're not asking the government to go and print another \$79 million. We recognize the deficit difficulties the government faces. But, as I mentioned before, all the more reason to make sure that the funds allocated in fact maximize the efficiency, the effectiveness and the equity of access. All we want in Peel is a fair share of those resources, not new money, as you mentioned.

Mr Callahan: What kind of success have you had thus far in terms of achieving that degree of equity?

Mr Brooks: In terms of the response, we've been very encouraged by the rhetoric, both within the ministry and in forums. In fact, we delegated this very committee a year and a half ago. The questions, we thought, were very insightful and helpful. The difficulty is that translating the rhetoric into action becomes more problematic. There are some strategic committees that the ministry has committed itself to. Our concern is that we haven't seen, to date, any substantive action in response to these issues. Indeed, since the last report was printed, the situation has worsened.

Mr Callahan: This will be a rhetorical question, but I gather the citizens of Peel pay into the pot for these services. Is that not correct?

Mr Brooks: In terms of the tax base, we certainly pay our fair share of the tax burden and would like our fair share of the resources. One of the old myths about communities such as Peel and other suburban areas is the mythology of the bedroom community that everybody leaves in the morning, I guess leaving the dog and perhaps the 2.2 children behind. That's an old myth. Our community has grown up and now experiences all of the urban problems as well as kind of the dynamic enthusiasm that goes with an urban community. But there are some deep fundamental problems we have to address. Along with these brand-new communities come issues of transiency, unemployment, poverty and so on, and issues in terms of

child abuse, dysfunctional families and so on that we desperately need to see addressed.

Mr John Sola (Mississauga East): I realize you're asking for a new funding formula that would recognize the special needs of growth regions like Peel. Do you have a sample formula for the government to study, to provide a solution as well as just raising the question? We've got a brand-new minister, so it would be helpful if you could provide something for him or her to study, so we could get to the solution more quickly.

Mr Brooks: Perhaps John could comment.

Mr Mahoney: The new minister is supporting this.

Mr Sola: Yes, and I'm thankful he supported the resolution of Steve Offer.

Mr John Huether: I think we would be supportive of a funding formula that took into account population on an ongoing basis so that it was reflective of the changing dynamic in our province, along with a percentage of somewhere between 20% and 25%, perhaps, that would take into account major social indicators closely related to social need. We don't have an exact, specific formula. We want to work with the government and other areas in the province to come up with something reasonable that will ensure people across the province who have similar difficulties have relatively the same ability to receive service, regardless of where they live.

To establish that process requires a fairly extensive cooperative approach. Our sense would be that if you could explore a formula which moves with the changes in population along with introducing a factor that took into account differences in social indicators such as number of single parents, subsidized housing and levels of poverty, that would be an appropriate kind of way to put us in a position where we have the same ability to respond to the social needs of our community that other agencies across the province do.

The Chair: I'm sorry, I've got to go on to Ms Marland.

Mrs Margaret Marland (Mississauga South): If there's one thing this particular deputation would like the government members of the committee to hear, it's the fact that everything lies behind the name of this deputation. They're not asking for more than anyone else; they're not asking for something they don't need; they're simply asking for equal access to the pot, essentially. The fact that they call themselves the Fair Share for Peel Task Force, I think, is the one aspect that personally, as a member for a riding in the region of Peel, I would plead for your consideration.

I think that when the deputation talks about the fact that Peel now has all the same inner-city problems Toronto and Metro has, that's where the inequity of the funding really comes to light. When we look at setting priorities in terms of human need, we're looking at our Community Living Mississauga, which has now capped its waiting lists. Their waiting lists for some services are four and five years and they just didn't think there was any point in having any longer lists. They just felt they might as well be capped as add on another few years of waiting.

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I think it's important, too, what the Fair Share for Peel Task Force is saying to you, that these are our children we are talking about and I think each and every one of you in your ridings has that same concern and that same challenge. If you take the time to review anything, just review the graphs that show the figures in terms of the funding differences. I don't think there's a member—well, Jim, I guess you're the only sort of member this morning.

Mr Jim Wiseman (Durham West): I'm not a Metro member.

Mrs Marland: Well, you're in the GTA.

Mr Wiseman: Unfortunately.

Mrs Marland: With the seriousness of being aware of the needs of children, and you look at these graphs and see how inequitable the funding is, I think the plea of this particular deputation, the Fair Share for Peel Task Force, must be taken very seriously and, on your part, very conscientiously.

It is ironic—and I'm interested to hear Mr Brooks's expression about the difference a creek can make; it is the difference of the Etobicoke creek, yet the children on one side of that creek or the other are the same human flesh and bones and have the same needs as each other. Unfortunately, I think, in this day and age, when we all realize that there isn't a money tree at Queen's Park, we're simply pleading with you to say please consider, as Mr Brooks said, I think the words were "effective, efficient and equal distribution" of whatever funds there are.

I think, too, that when we talk about children and we look at the figures from the last year and a half and see how the situation has worsened, we're simply saying you can stand on any public platform anywhere in this province and defend spending money in terms of priority of human need first. If you can't afford to build the road, the bridge or even the recreation centre, whatever the major capital investment is that you can't make, because on a daily basis you're helping these children in emergency situations, we will back you up. I will pledge to you that if you make a decision that you will spend the money first for these children in terms of human need, I will defend the fact that you didn't widen a road or do other infrastructure expenditures. It isn't that there isn't any money; the fact is, it's just about how it has to be spent and we know you're short of money.

The reason I don't have any questions for the deputation is that obviously I've been involved with this Fair Share for Peel Task Force for a very long time now and I'm very much aware of what their issues and concerns are. I was encouraged by the meeting with Marion Boyd 13 months ago, but we're now 13 months later and nothing has changed.

So we simply say to you, please try to convey that message to your ministers and support the letters that have gone to all of the ministers involved from all of the Peel MPPs. David Tilson isn't able to be here this morning, but there are seven MPPs in Peel and all of us feel exactly the same way about the plea of the Fair Share for Peel Task Force.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): Thank you for your presentation. It certainly is very clear that there's an inequitable distribution or dispensation of funds by the province all across Ontario and I would like to suggest that Peel isn't unique. There are certainly other areas of the province that bring forward exactly these same arguments, and therefore it would seem that there are many areas of the province looking for more funding to make sure they get their fair share. Certainly, this is an opportunity for you to bring your concerns before the government and I value that. However, I'd like to ask you what you might offer the government with regard to what you think we should do with our upcoming budget with regard to the taxes we might need to raise in order to cover the additional cost of making sure everyone gets an equitable share, or with regard to the deficit, or where we should make expenditure cuts.

Mr Callahan: They're not asking for any more.

Mr Brooks: If I could respond, Mr Chairman, perhaps to a number of the points raised. We've been at this issue for the last two and a half years, and something I have found quite interesting is that the basic thesis we present has never been challenged in any forum; it's accepted, and people acknowledge the inequities without contesting that issue.

Secondly, the funding statistics in that report indicate that Peel's share is presently less than half of the provincial average. It's way down at the bottom of the list. So while we recognize that the issue of equitable allocation is not unique to Peel, certainly we would make a compelling case that Peel deserves some very early attention because the needs out there in fact are chronic.

The third point, and it goes back in a sense to what Mrs Marland said, is that behind these numbers are real people. I've met a number of them in the last few weeks; people who have told me—they didn't mention the Etobicoke Creek, they mentioned Winston Churchill Boulevard. If they'd moved a little further west it would have cost them more money to call into Toronto on the telephone, but they would have had access to service in Oakville that is not available in Peel. It seems the services are much more readily accessible in either direction, east or west, that one might travel.

We don't pretend to be able to solve the government's deficit problems. We recognize the economy's in difficulty and the associated problems of tax levies and so forth. I guess I'd go back to a comment Mr Callahan made, that the residents of Peel—we're now over 700,000 people strong, we're more than a third of the entire population of Metro Toronto and we're a huge player in this process—and the corporations in Peel pay a lot of taxes. All we're asking for is an equitable slice, just the analysis of the ministry that says we all acknowledge the fact that it's not working presently, it's not fair and it's not equitable. We want to sit at the table and rejig the formulas to take into account the dynamics we talked about, social indicators as well as population. The reality is that almost any basket of social indicators could be chosen and we would come out far better off than we are presently.

It's an abysmal situation and, again, we've been at it for two and a half years. We were really heartened by the fact that the private members' resolution, while it was introduced by a Peel MPP, was in fact supported by all three parties—it passed with NDP support as well as Liberal and Conservative—and we believe it's an issue that we can all rally around and an issue that affects the children and families of our community. Thank you.

Ms Margaret H. Harrington (Niagara Falls): I'm with the Ministry of Housing and I'd like to let you know that from my understanding, the Peel non-profit housing has an admirable record over the last while of producing good, affordable housing and working with the province. I think you would agree with me that housing is a basic human need—

Mr Brooks: Yes.

Ms Harrington: —and in fact very much on the quality of life and the social service aspect as well. Hopefully, with our announcement last December of 20,000 units across the province in the next three years, you will be applying for those as well and get your share.

I do know that social services across this province are not equitable. Whatever service it is, there are gaping holes in various places. It will take some time to remedy this and we, of course, will be criticized for trying to equalize it as well.

You did say Marion Boyd made a commitment to action. We don't have time to get all the details, but have you seen action?

Mr Brooks: I wonder if Mr Huether could comment, because he's had the opportunity close up to experience that.

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Mr Huether: There have been no concrete changes in the funding formula since the meeting with the minister. A year ago there was a commitment that a committee would be established to begin to work on this issue and the committee only began its work at the beginning of February. It's going to take some time—

Mr Callahan: What year?

Mr Huether: February of this year. It's going to take some time for the committee to work through the issues and we are concerned that we're going to go through another budget cycle which will see the problem exacerbated and worsened before any steps are taken to begin to redress or stop the impact of the disparities that are here. Until we see some effort to act in a direction consistent with the principle of equity, then we have to be concerned that there has been no change.

The Chair: Time has run out. I'd like to thank you for appearing before this committee this morning.

Mr Brooks: Thank you, Mr Chairman. I could file my introductory notes with—

The Chair: We've all got copies up here and we've got Hansard of everything you've said, too.

ONTARIO ROAD BUILDERS' ASSOCIATION

The Chair: The next group is the Ontario Road Builders' Association. Come forward, please. Good morning.

I'd like to welcome you to the standing committee on finance and economics. We have until 11 o'clock. You're Mr—

Mr Arthur Ryan: My name is Arthur Ryan. I'm the executive director of the Ontario Road Builders' Association.

The Chair: I'd seen Leo last night. I had dinner with him and I was looking for him.

Mr Ryan: He couldn't make it today.

The Chair: Okay, fine. It was a good meal.

Mr Ryan: He's always good. Did he pick up the tab?

The Chair: I got off topic a little bit there but I don't want to take up any more of your time. We have until 11 o'clock. After your brief, please leave some time for the committee to ask questions on your association. It'll be starting off with the third party with Mr Carr as soon as we get finished.

Mr Ryan: If I may, I'd like to read the brief to you and then I can answer any questions you may have, if that's okay, Mr Chairman.

Introduction: The Ontario Road Builders' Association represents virtually all of the major firms involved in constructing and maintaining Ontario's provincial highways and municipal roads. The association was formed in 1927 and now comprises more than 170 companies in over 50 communities across Ontario.

Our members represent a large labour-intensive industry, both union and non-union, working in an area which has a substantial impact on the quality of life of Ontarians and the economic viability of the province. We welcome this opportunity to present our views to the Ministry of Treasury and Economics and trust they will be given due consideration in the preparation of the 1993 budget.

Economic development: The roadbuilding industry is an important segment of the Ontario construction industry, which latter is the province's biggest industry. It's the largest employer, Canadian-owned, largely by small entrepreneurs, pays the highest wages and is the province's largest taxpayer. These facts cause our industry to have a substantial impact on all segments of our society. We fully concur with the Treasurer's statement that Ontario must generate economic renewal that will create and maintain jobs, attract dynamic new investment and promote business confidence.

Economic renewal: The government has consistently stated that economic renewal can only be achieved from jobs, training and investment. In these times of severe economic restrictions, it is virtually impossible to attain these aims through normal economic and fiscal policies.

Deficit reduction: The obsession with deficit reduction is laudatory. However, deficit reduction is not achieved only by reduction of expenditures or tax increases. Increases in revenue far outweigh the current commitment to cost reduction. Increased revenue for the most part can only be created through increased employment. We feel very strongly that this administration must emphasize the job creation aspect of the equation to achieve any substantial reduction in the deficit. When revenues are increased through job creation, the effects are extraordinary. These increases have immediate impact on economic activity. The general confidence generated causes reduction in interest

rates and, as we have seen in past years, sparks economic recovery.

Capital investment: Our industry is obviously extremely pleased that the government of Ontario has taken the initiative and made substantial commitments to infrastructure and building renewal in this province. There's no doubt in our mind that money spent on capital investment for new highways, new roads and new infrastructure in general has an immediate and extremely important impact on economic development in the province. We support the government's position and stance in announcing these programs.

As we know at this time, there's been a \$6-billion, 10-year program announced which includes transit, construction infrastructure and sewer and watermain construction. If followed through, these announcements will be the impetus to turn this economy around. Money spent on infrastructure has an immediate effect on the economy. For every dollar spent on infrastructure something close to \$2 is expended in ancillary industries.

We are fully supportive of the government's differentiation between capital and operating expenses.

We support the formation of crown corporations to ensure that the differentiation is specific. Our concern is that the government should ensure that the formation of these corporations does not become a bureaucratic quagmire.

As private sector representatives we would recommend, as we have with our meetings with the Premier a couple of weeks ago, that our industry should be participants on the board of the Transportation Capital Corp and also on the board of the Ontario Clean Water Agency. The Premier did express some reservations on our recommendations for participation on these boards. However, we feel that in the current climate of participation between government, labour and industry, these appointments could prove to be extremely effective.

It is extremely important that the formation of the Ontario Transportation Capital Corp has industry participation, and our only caveat would be that the government ensure that Ontario contractors, who over the past many years have built and maintained the first-rate infrastructure highway and road system in this province, be guaranteed that they will be in the forefront of this development.

Some of our industry members are concerned with the possibility that some outside agencies or major corporations, simply because of the magnitude of the highway programs announced, will come into this province and take work away from the Ontario contracting industry. We have no doubt that your government is aware of these concerns and will ensure that any economic benefit from these programs will stay within the confines of Ontario.

Because we represent a diverse group of contractors, probably 95% of the contracting industry which built and put in place over the years the whole highway and road system of the province, we do have various views relative to the future directions this type of investment will take. Our mandate as association representatives is to ensure that the Ontario contracting industry benefits from these expenditures.

We are well aware that we must be proactive as an industry and be willing to participate in the private sector

commitment to these new projects. As an industry, we are committed to this program and are internally assessing the best way we can participate.

In summary, we are extremely pleased that the current administration has taken the initiative for job creation and not waited for the federal government to implement a program of infrastructure renewal. Thank you.

Mr Ted Arnott (Wellington): Thank you for coming in this morning in the midst of your convention to give us the information with respect to your organization.

The engineering construction sector is in a very difficult situation at the present time, as we're aware. The government has indicated that it has plans, it has intent. They commit money, they say they want to create jobs in the short term. They say they'll give us aggregate numbers of jobs that will be created—person-years. What is the main problem delaying the immediate construction of many of these projects?

Mr Ryan: I guess, frankly, money. I think this administration in the past two years has obviously had a severe economic downturn so any moneys being expended—they haven't really been able to meet the commitments that were announced initially.

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But I must admit, we've worked through many administrations over the past number of years and this administration has, for the most part, met its capital expenditures, commitments, certainly over the past two years. We applaud them for that because we feel very sincerely that even in these bad times they have managed to keep the industry moving—our industry, the roadbuilding section, not the general construction; that's another matter. But certainly the public portion of the roadbuilding industry has been reasonably sound.

The big announcement that we're extremely happy about, of course, is this new commitment to a much larger infrastructure spending program, which we're very supportive of. That may take some time to get rolling and we'll be pressing the government to ensure that moves as quickly as possible.

Mr Arnott: Yet I continue to hear the complaint from people that our roads are in an appalling state, relative to what they were 10 years ago.

Mr Ryan: No question. There's never been enough money spent on maintenance for the past five or six years throughout the province. It's always approximately—for provincial highways—probably \$250 million to \$300 million short of what is actually needed. At a municipal level that varies, depending on the municipality. But, yes, they are in very poor condition as to what they used to be a number of years ago. We're losing the reputation we had of having the best highway system in North America; we certainly are.

Mr Arnott: I think we are too. Your industry representatives would also be very concerned about the labour laws of this government.

Mr Ryan: Yes, we made representations on that. We were concerned with that, but now it's been implemented we'll see how it works for us. We were more concerned

with the initial announcement. The initial proposed labour legislation was more restrictive than what actually came to pass so we take some comfort from that. We still are concerned about the fact that it certainly doesn't promote industry in this province. It does nothing for bringing new investment into the province and that's a major concern.

Mr Johnson: Certainly, the roads in the province of Ontario didn't overnight become in poor shape. This has been a long, gradual deterioration, I would assume, because of the lack of maintenance. Would you not agree with that?

Mr Ryan: Yes, definitely, very much so. As I say, I guess the last five or six years, probably even longer, there's been a shortfall in the necessary funding to maintain the system at the optimum level and that's cost everybody more money. You know, it costs more and more every year; you prolong the agony.

Mr Johnson: Right. The previous group we had before us—I'm not sure if you were in the room at the time, the Fair Share—

Mr Ryan: No, I arrived late. I missed that group.

Mr Johnson: I'm sorry you did. The Fair Share for Peel Task Force had a very convincing presentation that it made before this committee with regard to the shortfall of government funds for its particular municipality, its particular part of the province, I guess, with regard to funding from the province.

But it was interesting that Mrs Marland said this—you weren't here to hear it—but she said she was willing to support the government and say, "Well, we'll hold some money back on roads if you'll give a little more money to the social services department in Peel." I would just ask you, don't you think that, especially now, the government has a very difficult task? In fact, this is a pre-budget consultation that we're having right now. We're trying to walk a very, very narrow tightrope, if I can put it that way, and we have to balance our expenditures versus our revenues and watch our deficit as well. Don't you think every aspect of the government needs to continually be funded? In spite of this difficult time, we need to make sure they at least get the basic funding they need to do things.

Of course, the program we have committed to, the \$6 billion over 10 years to improve infrastructure, I think is very positive, as you've indicated, but don't you think we've got to be careful as a government that we don't take moneys away from areas that indeed need funding, where although it may not be apparent on the surface, in the long term it certainly will be beneficial?

Mr Ryan: The only thing is, you see, this current announcement differs from previous announcements in the sense that there's a creative means of funding these systems that's been recommended to go into place. That's an extraordinary step and we fully support that. We take a very strong position, as we mentioned in our comments about the deficit reduction. It's an obsession today to talk about deficit reduction. Frankly, oftentimes, I think some people don't even know what they're talking about. You don't even know whether they're talking annual deficits or accumulated deficits and what the real problem is.

But you have to differentiate when you're talking money spent. If you're making a capital investment, it's a different dollar than spent on social services or operating costs—not social services but any so-called soft costs. When you put money in an infrastructure, you're building an asset. In annual accounting applications you would capitalize that asset and it would be on your books shown as X number of dollars spent on a capital asset.

The way the governments operate throughout the general revenue is that every expenditure made, regardless of type, is a major expense. Nobody in this room could live under that kind of parameter personally. If the money we spent for our houses was deemed to be an operating expense and gone out the window, we'd all be bankrupt. At least we have a home; we have assets.

We took a strong stand on that position years ago, even when Bob Nixon—not too long ago, but the previous Treasurer. We were finally getting him convinced to make this differentiation between capital and operating.

This government has done that and this commitment that's been made now—the formation of these corporations or agencies are vehicles through which the programs can be funded. They can be funded, they can be borrowed, whether through a private sector or through the government, through special funds allocated for that purpose, written off by toll roads or perhaps some other form of user-pay concept on the highway system.

These new expenditures now for Highway 407, the massive, mammoth programs, the transit and the subway and everything else—if they are funded correctly, that should not really affect the operating deficit of this province.

There's a private-sector consortium, from my knowledge—and because I represent an association, nobody's really saying too much, but I do know there is a consortium that has already made a substantial proposal to the government to privately fund it and to manage it themselves. That's as far as I know. It's all sort of hearsay at this point, but there's a definite recommendation being made. That's a totally different approach and that's the only way, frankly, this province will ever be able to make the expenditures necessary to build up the infrastructure in this province.

The Chair: Mr Wiseman, you have one minute left.

Mr Wiseman: I just wanted to talk and sort of have you continue on your train of thought but to reflect for a moment that the more roads we build, obviously, the more maintenance they're going to need; the more maintenance they need, the more cost they're going to have and it becomes a closed loop, a vicious circle in terms of increases. Of course, we don't want to get to the position where the United States is now where one third of its bridges are deemed to be unsafe or collapsing. How do we avoid this closed-loop, spiralling trap of costs.

Mr Ryan: There have been very few new roads built in this province since the 1950s and all we're really talking about now is the new Highway 407, for the most part. Highway 407 will effectively replace the 401. When the 401 was built in the 1950s it was built as a bypass for Metro Toronto. Now it's a commuter alley; it's not used as

a bypass. There's no means of getting through faster on it rather than using the 401. That's why the 407 is effectively almost an exact duplicate, only farther north, to again attempt to bypass the core of the city.

You have to understand the economic viability of it in terms of trucking. A lot of the industries that moved into this province a couple of years ago—Hyundai and people of that nature moved here because the infrastructure had fast-moving, good, free-moving highway systems. The 401 is a disaster right now in terms of congestion and tie-ups. The 407 is needed and I don't think it's—you know, it would never become a non-entity. The question about the States—I don't think the States's problem is the proliferation of their old system, it's just that they've never been able to maintain the system, which is a—

Mr Wiseman: That's why it happens to be—

Mr Ryan: Yes, it's an international problem and I'm not saying—but Canada is by far the lowest participant per capita for highway expenditures in any country in the western world and a large part of the reason is that there's very little federal participation. The provinces are responsible for the highway systems within their own sort of jurisdictions.

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Mr Gerry Phillips (Scarborough-Agincourt): I appreciate the presentation. I'm pleased to see you're supportive of the capital corporations.

Mr Ryan: Yes.

Mr Phillips: I gather the province spends around \$1 billion a year on roads, is my memory. Is that roughly the number?

Mr Ryan: That's about it, yes.

Mr Phillips: Do you see the province continuing to spend \$1 billion a year on roads? Is that what—

Mr Ryan: I hope so, yes.

Mr Phillips: So how will the capital corporations help you out, then?

Mr Ryan: Oh, no. I'm saying we hope the province will maintain the normal expenditures that they make today, which is the \$1 billion. The capital corporations, on additional moneys, which will be used to fund the 407 for the most part, initially, and some portion of that money will be—depending on how the government determines the revenue streams within those corporations. As I say, they're looking for private-sector involvement, they're looking for municipal involvement and their own commitment themselves. So what the breakdown will be, it's hard to say. We will try to ensure through meetings with the government that the money's already put in place and not affected by these new announcements.

Mr Phillips: One question that comes to mind is that there's a—you say these capital expenditures are quite different than operating. I imagine many of your members write off their capital with depreciation each year; they say, "Listen, we've got to spend X." There's another view that says the province has said it needs to spend about \$3.5 billion a year on capital infrastructure. That's just to keep the thing refurbished, the equivalent

of what your members would probably have to charge in annual depreciation, just the refurbishing cost.

Mr Ryan: Yes.

Mr Phillips: There's a concern expressed by some that the capital corporations will take on some substantial new debt that ultimately has to be paid for and that capital corporations, if not properly accounted for, will end up with, as I say, substantial new debt that future taxpayers have to pay for. Is there any risk of that, in your mind?

Mr Ryan: Oh, yes, definitely. I think that will happen, frankly. That has to happen. There will have to be long-term debt developed, I think, within the formations of those agencies or corporations. But, the way we see it, that will be written off—that will be amortized or depreciated over 10 years, six years, or whatever the length of that particular project the money is expended on. That's wrong. That's one approach we see. The other would be obviously the—if tolls are put in place, the toll revenues would start to pay down some of those costs, but there will be a cost. Even when we talk about toll roads, realistically, if we look at what's happened throughout Europe—the States is a little different—but certainly throughout Europe, which is very heavily into toll road systems in every country, for the most part the tolls don't really pay for the cost of their highway system. There has to be some form of government subsidy, because the volumes oftentimes don't warrant the actual capital cost of that. It's a partial financing, I think, frankly.

The thing we would like to see, which is—we say to every government, but we feel very strongly about it. The way to generate revenue, and it may be anathema to some of you people around the table, is to have a dedicated tax on gasoline—the easiest way to generate money, the simplest way and it has an immediate impact.

I challenge everybody here to tell me what they paid for gas today. Every time you go to a gas station, one day it's 56 cents a litre, the next day it's 49 cents. The variance in gasoline price on a day-to-day basis is absolute nonsense and yet nobody seems to object. But if the government were to impose two cents a litre on gasoline in this province, that would generate \$250 million a year, and that would solve certainly any deficit in the maintenance of the present system.

Mr Phillips: One of my concerns about the capital corporations is just making sure we don't, in the interests of trying to feel better short term, create longer-term problems. If we are to spend the \$1 billion a year on roads, but only show as an expense one tenth of that or one twentieth of that—I'm not sure how they plan to amortize roads—my feeling is that the capital corporation is going to build up an enormous debt because it will be spending at the rate of \$1 billion a year, presumably, but show an expense in only one tenth or one twentieth of that. How do we avoid getting into what I would worry about as being a debt trap?

Mr Ryan: That's hard to say. When we talk about these corporations at the present time, I don't think anybody knows at this point what form they will take. We met with the Premier last week and talked about that and you

got a sense that there's a lot of vagueness there; they're not really sure. If you go to the private sector, for example, it's conceivable that a good portion of the system could be funded totally by private money. Now, whether that consortium funding arrangement will be structured through the capital corporation, I don't know.

Mr Phillips: But when you say "funded," my understanding is they may build it and then lease it back, so it's not really funded, it's just a different loan that's taken.

Mr Ryan: That's right. They build it and lease it back. It could be a long-term lease and then it will revert back to them—

Mr Phillips: But isn't that just another form of debt? You happen to pay it off in a different way.

Mr Ryan: Yes, but it's a private debt, though. If the consortium builds it, it's their money.

Mr Phillips: Yes, but the public has to repay and—

Mr Ryan: Oh, sure, yes. That's why they talk about toll roads. There has to be a revenue stream to pay that, definitely.

The Chair: Thank you, Mr Phillips. Your time has expired. I'd like to thank you for appearing before this committee this morning.

Mr Ryan: Thank you.

The Chair: We're going to take a five-minute recess, a stretch.

The committee recessed at 1057 and resumed at 1104.

The Chair: We'll resume our pre-budget consultations of the standing committee on finance and economic affairs. I'd like to welcome you here this morning and, boy, it's cold out there.

ENERGY PROBE

The Chair: The next group we've got is Energy Probe. I guess this is a good group to be talking to today. We have until 11:30 and in that period of time, after your brief, leave some time for the members of the committee to ask questions on your brief. You may begin. Please identify yourselves for the purposes of Hansard, also.

Ms Elizabeth Brubaker: My name is Elizabeth Brubaker and I'm the director of water research at Energy Probe. With me is Larry Solomon. You may remember him from previous years' presentation. Larry is Energy Probe's research coordinator and he'll be able to answer any questions about privatization that arise from my presentation.

The Chair: Larry, you have a fax machine, don't you?

Mr Larry Solomon: That's right. It's not as busy as it used to be.

The Chair: I usually get a fax at least once a week from you. Carry on.

Ms Brubaker: Back in December, when I first spoke to this committee's office about making a presentation, I mentioned that I'd be talking about water rents. The response was all too familiar: Water what?

Judging from that response, I guess that water rental reform hasn't thus far been prominent on your agenda. I

hope to change that by showing you just how low Ontario's water rents are. I'll then describe the social, economic, and environmental problems with low rents and the attractions of reform, including an extra billion dollars a year in provincial revenues.

Water rents are charges to hydro-electricity producers. Ontario charges fees for the use of crown-owned hydro sites. Other jurisdictions might charge for the volume of water used or they might tax the power produced at a hydro site. Whatever the form, most jurisdictions with abundant hydro-electric resources levy some sort of a charge through which they can recover the value of those resources.

You have in front of you a graph that illustrates the magnitude of charges in other countries. I've calculated the bills utilities in other countries would pay if they generated the same amount of hydro power as does Ontario Hydro. Reading from the left, as you can see, the jurisdiction with the highest charges is the one in Arizona. There, Ontario Hydro would have paid almost \$548 million in water charges in 1991. Next are several European countries, Switzerland, France, Germany, then British Columbia, then Sweden, Norway, China, Italy and finally Ontario.

In 1991, Ontario Hydro paid \$115 million in water rents and grants in lieu of taxes combined. That hardly makes it a world leader in terms of contributing to the public purse. Actually, our position, compared to the rest of the world, is even worse than it appears on this graph. Peru's substantial charges, which are based on the volume of water used at a station, can't be translated into a certain number of megawatts for comparison on this graph.

Also excluded from this graph are countries like Finland, Spain and formerly Czechoslovakia, those countries that charge case by case, through competitive bidding or other market mechanisms. And then there are the countries that plan to raise water rents dramatically. Recent proposals in Norway and Sweden, both you'll note already ahead of Ontario, would implement tax reforms to capture the full market value of hydro power.

In 1991, Ontario Hydro generated almost 32,000 gigawatt-hours of electricity at the hydro stations covered by its provincial water rental agreement. The power was worth about \$1.4 billion to Hydro. That's what it would have cost Hydro to purchase that amount of power from non-utility generators. In contrast, it only cost Hydro about \$231 million to generate that power. The \$1.2 billion difference represents the value of those hydro-electric sites to Ontario Hydro in 1991.

It also represents the ceiling on the water rents that Hydro or a successor to Hydro could afford to pay the province on those sites. As long as the power companies' water rents were below that ceiling, it would still be cheaper for it to produce the power at the hydro-electric sites than it would be to produce it elsewhere or to purchase it.

The \$1.2-billion figure is a very rough estimate. Some other estimates have been higher, some lower. One study prepared for the Economic Council of Canada concluded that the market value of Ontario Hydro's hydro-electric sites would be, in today's dollars, about \$1.6 billion. And remember, that's an annual figure.

The authors arrived at that figure by comparing the costs of producing electricity at hydro-electric sites in the existing system to the cost of producing electricity in a theoretical system that relied on thermal power.

Whatever the exact figure, Ontario Hydro's actual payments don't even begin to reflect the market value of the resources it uses. In 1991, Hydro paid the province only \$105 million in water rents. That's a tiny fraction of the value of the sites.

Low water rents are socially inequitable. Remember, hydro resources are valuable whether or not the province charges for them. Right now, Ontario Hydro captures most of that value. It then rebates it in the form of lower prices to electricity consumers with large corporations benefiting disproportionately. But that's not how it should be. The resources' owners, the citizens of this province, should benefit from their use. Hydro resources do not belong preferentially to big business and the rents from them should not be used, first and foremost, to reduce multinationals' power bills.

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Water rental subsidies aren't a free way of keeping electricity prices down, because the forgone revenues have to be made up somewhere. Ordinary people are bearing larger tax burdens because their hydro-electric resources are earning a diminished rate of return. What we're talking about, in short, is a transfer of costs from Ontario Hydro and the major power consumers to the body of provincial taxpayers. That's just not fair.

Low rents also have serious environmental consequences. Obviously, they reduce the cost of hydro-electric developments, encouraging producers to build otherwise uneconomic projects. Let me give you an extreme example, a situation where the province exempted a producer from paying any water rents at all.

Ontario Hydro was recently thinking about building another dam on the Mississagi River, east of Sault Ste Marie, but the project, called Patten Post, just didn't look economic. Hydro would have had to put in \$1.23 for every dollar it got out of the project.

That was bad news for the provincial government, which was desperate to generate jobs in the region. When Hydro announced it would be terminating its Elliot Lake uranium purchases, the province made Hydro an offer. If Hydro would proceed with Patten Post, the province would forgo water rents on the project for its entire life. Hydro figured that subsidy was worth about \$25 million.

The government was offering Hydro a multimillion-dollar subsidy for a project that had all the makings of an environmental disaster. Patten Post would have flooded 4,000 hectares of land, contaminating fish with mercury and threatening the health, lifestyle and economy of nearby native communities. The local people opposed the project, and the North Shore Tribal Council passed a resolution condemning it. It would have been wholly inappropriate for the province to even allow such a project, let alone subsidize it. Fortunately, Hydro has since put its plans for Patten Post on hold.

Patten Post isn't the only project to be given a break on water rents. The province subsidizes all new hydro plants

with 10-year water rental holidays, making it all that much more likely that economic and environmental losers will proceed.

What I've tried to establish thus far is that Ontario's water rental charges are lower than those in the rest of the world, that producers here are paying only a fraction of the value of the resources they use, and that this is inequitable, economically inefficient and bad for the environment. Now, I want to tell you what you can do to change this.

I'd suggest you begin with new stations. Several projects are undergoing environmental assessments now and changes in water rent projections could influence the outcomes. For starters, you should recommend that the government rescind the policy granting 10-year holidays to new stations. Any holidays that have already been promised to Ontario Hydro should be revoked and full water rents should apply to all stations. Right now, stations under 10 megawatts are partially exempted.

Perhaps most important, water rents should reflect the market value of the site. Since no one rent or formula can accurately apply to different sites, the rents have to be set case by case. The best way to do that would be to introduce a competitive market for hydro sites. Sites could simply be auctioned with the highest bid reflecting the value of the site. The auctions would give all users a crack at sites, so if a site were valuable to fishermen, boaters or tourist operators they, alone or together, could outbid hydro producers for it.

In terms of water rents on existing stations, I'd urge you to renegotiate or, better yet, cancel the master agreement between Ontario Hydro and the province. The agreement, which covers most of the utility's hydro-electric stations through 1994, has two loopholes that should be closed. As I mentioned a moment ago, 15 of Hydro's smaller stations are now partially exempted from water rents although, to be fair, the province has already proposed discontinuing the exemption as of 1995. Closing this loophole, without changing water rental rates, would bring in an extra \$900,000 a year.

The province could further increase its water rents by updating the capacity ratings at hydro stations. Part of the water rental charge is a capacity charge. Hydro-electric producers pay the province about \$13,000 for each megawatt of capacity. Hydro's water rents are based on its 1985 capacity, which has since increased by over 400 megawatts. Charging Hydro for that increase in capacity would add another \$5.2 million to provincial coffers each year.

Such increases are minuscule compared to those resulting from setting water rents at the value of the resources. Again, that value could be arrived at through competition. Many of you know that Energy Probe advocates privatizing the electricity generating system.

Privatization is looking more and more feasible all the time. Just last week Maurice Strong released Hydro 21, a discussion of restructuring options for Ontario Hydro. If done right, privatization will enable the province to capture the full value of existing hydro sites. As I noted earlier, payments reflecting market value could provide annual revenues of over \$1 billion more than water rents now bring in.

Clearly, water rents are potentially a huge source of provincial income. The revenue could obviously be used to meet general revenue needs, or water rental increases could be revenue neutral. The government could simply reduce other taxes by an equivalent amount. Another option would be for the government to pass the revenue along to those who have been adversely affected by past hydro electric developments. Of course, these approaches could be combined.

How feasible are water rental increases? Well, a historical precedent for large increases does exist. When the master agreement was negotiated in 1985, water rents tripled.

It's also important to note that rents reflecting the resources' values would be in keeping with provincial policy. For example, MNR's Direction 90's recommends valuing resources based on the benefits provided and last September the Ontario Round Table on Environment and Economy recommended introducing full-cost pricing for water used in power generation.

Is the public prepared for water rental increases? That probably depends on how they're implemented. If Ontario Hydro remains intact, water rental increases will mean higher electricity prices. Although rate hikes could be made more palatable by tax reductions, they wouldn't be popular. Privatization will avoid this problem. Opening up the grid to competition will bring rates down and also create the companies willing to pay the full value of the hydro resource. Thank you.

Mr Johnson: First of all, I want to say that I see the members of the Progressive Conservative Party have big grins on their faces. It must be because of the just-announced resignation of the Prime Minister.

Mr Gary Carr (Oakville South): We heard Bob Rae was retiring too.

Mr Johnson: Oh, is that why you're grinning?

Interjection: He'll probably qualify for UIC, though.

Mr Johnson: Thank you very much for your presentation.

Ms Brubaker: So did Mulroney just resign?

Mr Johnson: Yes, he did.

Mr Carr: Before you speculate, I'm not running.

Mr Johnson: Okay, Gary. It's good to hear that. Thank you very much for your presentation. I must admit I wasn't sure exactly what you meant about these charges until you explained them, and I think you did a pretty fair job.

I guess the message I hear more clearly than not is that you're suggesting the privatization of Hydro eventually, I guess, is the way Hydro should go. Is that not what I'm hearing?

Ms Brubaker: That's correct.

Mr Johnson: I was glad you made the statement, too, near the very end of your presentation that in fact if these water charges are increased as you suggest, the people who pay for their hydro rates presently in Ontario would have that burden of the increases.

Ms Brubaker: That's right, although, as I mentioned, they could be revenue neutral, so the taxpayers could be enjoying tax reductions of a commensurate amount. But

that's right. Without privatization, you'd see higher electricity rates, which is one of the reasons we advocate privatization.

Mr Johnson: Right. So without privatization, this wouldn't really be advantageous to Ontario Hydro.

Ms Brubaker: It wouldn't be advantageous to Ontario Hydro, no, although it would be advantageous to the citizens of the province.

Mr Johnson: That's where again I'd like a little clarification, because if Hydro is paying the charges, then it is going to pass those costs on to their electricity users—

Ms Brubaker: That's right.

Mr Johnson: —whether it be industry or private individuals.

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Ms Brubaker: That's right, although right now, because industry uses so much more electricity than private individuals, that burden would be greater on industry. People, of course, with higher rates always have more of an incentive to reduce their electricity, which is not a bad thing.

Another thing worth pointing out, as part of an aside, is that right now a lot of the people who suffer from hydro-electric development don't benefit from hydro-electricity at all. You have northern communities that have borne the burden of flooding of their lands, for example, but aren't even electrified. So we see keeping Hydro rates down doesn't mean anything to them.

Mr Johnson: While we're on the topic of water—and I was just wondering if I could get your opinion on this—I think water use charges should be increased in the province of Ontario, for the actual use of the water.

Ms Brubaker: We agree.

Mr Johnson: Not to do with what you've presented here, but just the actual use of water in the province, for whatever purpose.

Ms Brubaker: Yes. We think people should generally pay for all of the resources they use, including water.

The Chair: Ms Harrington, one minute.

Ms Harrington: I represent the city of Niagara Falls, so we are intimately aware of some of your ideas. In fact, the agreement with the US for the use of the water rights has a limit on the time, so that's why we're facing the question about the Beck 3 Project immediately. My question is, if you're advocating privatization, what happens to the burden of debt of Hydro?

Ms Brubaker: Larry's much better qualified to answer this than I am. He's our privatization expert.

Ms Harrington: In 30 seconds.

Mr Solomon: One of the benefits of privatizing Hydro is that the proceeds of the privatization could be used to address Hydro's debt, and much of Hydro's assets are very valuable; hydraulic assets are certainly valuable; their transmission grid, which Maurice Strong is talking about privatizing, is very valuable and there's also a net worth in the fossil fuel stations.

The Chair: Okay. I'm going to go on to Mr McGuinty.

Mr Dalton McGuinty (Ottawa South): Thank you, Mr Chair. I want to pursue that a little bit. I'm not sure what the nuclear generating facilities have been valued at, but it's my opinion that those simply aren't marketable and, as a result, we're going to be left with a substantial debt. Certainly the British experience has borne that out. What do we do with that debt? Let's say we're talking \$15 billion there. What are we going to do with that if we privatize? Is the province going to have to assume that?

Mr Solomon: The current situation is that the province does have that debt obligation, and that wouldn't change in a privatization scenario. What we would like to see is the nuclear assets and the nuclear debts hived off and put into a crown corporation, similar to what happened in the UK. The experience in the UK is that once that happens, the new nuclear operation, under competition itself, becomes far more efficient. So they begin, to some extent, to address their debts.

Mr McGuinty: But right now, in a technical sense, Hydro's debt is properly that of Hydro's ratepayers. The province has guaranteed this, but we have not been called upon to deliver on that guarantee. What you're really telling me is that the province, taxpayers, will have to assume that debt.

Mr Solomon: That's right, and taxpayers may well have to assume that debt with or without a privatization scenario. It's quite possible that Hydro at some point will be defaulting on its debt if the status quo is allowed to continue, because it may be losing so many customers it won't be able to make its debt payments and the province will then have to step in. By privatizing sooner rather than later, while there still is a large surplus in the Hydro system, we'll address that problem much sooner and have less of a problem later on.

Mr McGuinty: All right. Those were my questions.

Mr Sean G. Conway (Renfrew North): It's always good to hear you folks. I appreciate the very stimulating presentation. It gives rise to a whole series of questions but, time being what it is, I'm just going to ask a couple. One, your first name again is?

Ms Brubaker: Elizabeth.

Mr Conway: Elizabeth. I was listening to what you were saying very carefully, and I'm not so sure, though, that you didn't create an environment where we would effectively end all future hydro-electric development, because in the real world—you described, for example, a situation whereby maybe a water site put up for competitive bid—and that really kind of appeals to me—might not in fact go to the electricity people, it might go to the tourist operators or the fishing folks.

Ms Brubaker: But if the water or the site is worth more to those people, shouldn't it go to them?

Mr Conway: Oh, absolutely. But in the real world—because I represent an area where this is not uncommon—I can't imagine any of those other people getting involved in those bids and if Duke Power should show up then, of course, the auction becomes a transparent comedy.

Ms Brubaker: You're suggesting that, say, the tourist operators wouldn't be able to outbid Duke Power.

Mr Conway: Well, they're so strapped for cash now that even the good ones—I mean, theoretically it's an interesting concept. I'm just trying to translate the theoretical construct into the real world. I represent an area that's been carved six ways to Sunday for big and small hydro-electric projects and I'm trying to imagine your theoretical construct at work. I know it's a new world, and happily so, but I just think, "Boy."

Ms Brubaker: I have a couple of responses to that. One is that, according to Hydro, some of its proposed stations or sites are virtually worthless. It's said to the province, "We can only go ahead with this if we don't have to pay anything for the water at those sites." That means the local native communities, say, who rely on the river for their fish or their transportation would have to offer a very small amount of money to make it theirs.

The other thing is that you see a lot of examples of private-sector conservation right now. You see Ducks Unlimited or the conservation societies purchasing wetlands or forest areas, and there's no reason they wouldn't also be interested in purchasing water sites.

Mr Conway: No, I agree.

Ms Brubaker: That happens in the United States all the time.

Mr Conway: But you see, I'm sitting here trying to visualize that and I think what you've done here, and it may not be a bad thing, is—I can't conceive anyone, either in a public utility like Hydro or very many people in the private sector, being able to develop any kind of a hydro-electric site under current conditions.

Ms Brubaker: They would be able to develop only those sites that made a lot of economic sense.

Mr Conway: Oh, I agree.

Ms Brubaker: That's fantastic.

Mr Conway: But in my world, I think that means no further ones are going to be developed. The only ones that might be developed are ones that were abandoned, where there has been some experience. I hear people talking about community-based power, but it's still damming up the local creek or damming up the local river and my sense, as a practical matter, is it just isn't on. The farmers, the native community, the local this or the local that—my cottage group; we're going to fight you every step of the way.

Ms Brubaker: But isn't that a good thing?

Mr Conway: It probably is.

The Chair: Okay. I've got to go on.

Mr Conway: I say it facetiously.

The Chair: I've got to go on to Mr Carr and his world.

Mr Carr: Thank you for your presentation. I guess this is more for Lawrence. Last year when you were in, we talked about what we would get for Ontario Hydro if we privatized the entire shebang over there and I think you said about \$53 billion. Was that the figure you talked about? Was I correct with that?

Mr Solomon: I think the value of the non-nuclear generating assets would have been in the area of \$10 billion to \$15 billion.

Mr Carr: About \$10 billion to \$15 billion? And our debt now at Ontario Hydro?

Mr Solomon: It's \$36 billion.

Mr Carr: It's \$36 billion. So basically, we're in a very difficult situation with regard to Ontario Hydro. What would your recommendation be with Ontario Hydro? There are various theories: it all should be privatized; some of it. If it were up to you and we moved you into the driver's seat tomorrow, what would your recommendation be? How far would we go with privatization? Maybe you could outline it. How much would we get for it and how would we do it? What time frames would we be looking at before it could be done and so on? Maybe you could just give us a bit more detail, because I'm interested in that.

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Mr Solomon: I would do it much the way it was done in the UK, only we would be benefiting from some of the experiences in the UK. It would be done in several steps. The nuclear assets would be put into a crown corporation, continue to be run by Ontario Hydro's existing nuclear personnel, still regulated by the Atomic Energy Control Board of Canada. The non-nuclear generating assets would be sold to companies in the private sector. Probably there would end up being four or five different competing companies that would assume those assets. Those revenues could be used to address a debt. Maurice Strong is talking about privatizing the grid as well. That's a very practical notion. It's not necessary for competition, but it's very practical because it would, on the short term, address Ontario Hydro's debt. It would create additional revenue because the grid is a natural monopoly and there is much value in that monopoly. On the long term, it's also beneficial because there would be an additional large private-sector operator who'll be making profits in the future and paying taxes in the future, so that would help address future deficits. For several reasons, Mr Strong's approach is extremely practical and I think should be considered and perhaps given preference.

The Chair: Mr Arnott, one minute.

Mr Arnott: Thank you, Mr Chairman. Following on your logic, have you done a project of what you think the price of electricity would drop to in the event that privatization were pursued?

Mr Solomon: It would gravitate to about half the current rate.

Mr Arnott: Half the current rate; over what period of time would you estimate?

Mr Solomon: It depends on how the overexpenditures on assets are worked out, but assuming it's done over a 10- or 15-year period, at the end of that time our rates would be about half of what they are. They would start to drop almost immediately, as occurred in the UK.

Mr Arnott: If the government were to privatize Ontario Hydro, would you allow American utility companies to bid for components of Hydro?

Mr Solomon: Yes. The reason is that the more bidders, the better the price the citizens of Ontario would get. Regardless of who the owner was, it should be regulated and regulated strongly by the Ontario Energy Board.

The Chair: Mr Arnott, time's expired. I'd like to thank you for appearing before this committee this morning. Maybe some of that information you can send on to the members to their offices. Okay, thank you.

Ms Brubaker: Thank you.

EDWARD KOLODZIE

The Chair: The next person to present is a Professor Edward Kolodzie. Welcome again this year to the standing committee on finance and economic affairs. You're a familiar face.

Mr Edward Kolodzie: This is my fourth straight—

The Chair: Is this your second or third time?

Mr Kolodzie: Third time for this committee. I've appeared actually in the Progressive Conservative days when they had a meeting in the city of Oshawa—the cabinet. I'm basically delivering the same message, but with a different twist today.

The Chair: That will be something interesting to listen to. Okay, go ahead.

Mr Kolodzie: I talked with Tonia, she's got a handout for you, but today I want the members of the committee just to hopefully absorb four main points.

The one point is span of control; another point is work measurement; another point is the level of bureaucracy; and the fourth point is called edufare. I don't think we'll get to that fourth point.

Mr Phillips: What was it again?

Mr Kolodzie: Edufare, it's a short form for educational welfare. I'm a professor of operations management at Centennial College, but I'm here as an individual. What I'm proposing is the acronym GOOM, which would stand for the Government of Ontario Operations Management.

In those four points, the first one deals with span of control. The government is doing some good things now, but it can take certain principles a little bit further, and one of them is the span of control. The span of control basically deals with how many people you have reporting to you. The government is now reorganizing a lot of its ministries, so it's got an excellent opportunity in its restructuring to widen the spans of control of supervision. This in turn will have an impact on the levels of bureaucracy. If you don't like the word "bureaucracy," you can replace the word "organization." Actually, I prefer the word "organization" versus "bureaucracy." "Bureaucracy" tends to suggest government only has bureaucracy, but all organizations have bureaucracy. In the book you have there, on page 38 there are a couple of little illustrations that, if you have three people reporting to you, and there are 40 people in the organization, you will eventually have four levels. If you widen the span of control to six people per person, or seven people per person, or even eight people per person, then you don't need as many levels of bureaucracy or levels in the organization. You flatten out the organization.

There's a tendency in some organizations, especially in government, that if you take some ministries there may be as many as 20 levels of organization. By using this formula on page 38, you could reduce the number of levels significantly, which will improve communications channels and it'll end up downsizing the organization in this systematic way.

What you want to do is widen a person's span of control in the organization and you people are in a position to exercise this authority. You are doing it, because you are reducing the size of government bureaucracy. That's proof, because years ago there would be 100 ads in the Globe and Mail or the Toronto Star every week, advertising new positions. Now it's rare that I even see one ad advertising a new position in government in the big news media. So you're doing something right.

You've reduced the spending levels on an increased basis to certain ministries, or some that you can't seem to put your hands on because of the social services—the problem we have with the economy. In other areas you're doing, I think, an excellent job of controlling growth in spending in certain ministries, and in some you're actually decreasing growth. When you give people a 1% increase, you're not giving them much of a challenge to cut back on their spending. If you want to give them a challenge on their spending, cut back on their spending 5%. Give them 5% less than last year and 5% is not difficult to achieve. One way you can give it is by taking into account the levels of bureaucracy and the span of control. So how can you widen a person's span of control? You can eliminate a level lower and have those lower people report to the upper people. You widen the person's span of control and therefore also eliminate a level of bureaucracy. If you can take that principle to your ministries or wherever you're connected with, it is a very wise thing to do.

Now, what is a good span of control? Most people in organizations have a tendency to go to narrow spans of control. But ideally, eight people is a good number to work with span of control. It means a person could spend, in theory, an hour with every subordinate. But some government bureaucracies or government organizations have two or three people they supervise, maybe up to five. In highly repetitive work situations, you can go to 16 or 20; one supervisor can actually supervise 16 to 20 people. If it were 16, that means in theory he or she can devote a half-hour a day to each person, but they're doing highly repetitive work; they don't need that tight supervision.

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What do you do with these people? How do you tidy up the organization? Through the things that are now happening in some ministries—let attrition take its course. You don't necessarily need layoffs, but I think what you people should seriously consider is pushing early retirement among the ministry employees. We're doing that now at Centennial College and it's freeing up certain people at the high level.

You take the community college system: There are about 16,000 members on faculty and our pension fund is about \$1.6 billion. That's just the college faculty in the community college system. So there's about \$100,000 in the kitty for every employee. You can just extend this to what

you have in other ministries in total. For instance, even in municipalities, the OMERS—they are buying up shopping centres. They should be encouraging early retirements.

In a sense you can create jobs for younger people to replace these people who are retiring and in some respects you can create two jobs for everyone who retires, because you're paying half the wages in many cases. Your objective should be: Not only do you widen the span of control, you reduce the levels of bureaucracy. You do this through early retirement or attrition and then you free up openings for younger people if you so desire.

How do you go about taking this a little bit further? If you take work measurement—this is one of my favourite topics and it's a topic I lecture in at the college—there's very little of that done, especially in government organizations. If you measure work—and I mean through formal techniques—you will have less work to measure. Just think about that: If you measure work you'll have less work to measure, because when you're measuring work you find out that there are unnecessary things being done, and then you eliminate these unnecessary things and you have less work to measure the next time. This is elaborated on in the booklet you have, Don.

The other thing is, work efficiency increases when available work decreases, so if you have less work to do you can become more efficient doing it because you're going to eliminate these unnecessary tasks. One very simple technique that can be taught in 15 minutes is activity estimating, and that's also shown in the booklet. What you do is, you write down the things you do. What did you accomplish last week, for example? You worked a 40-hour work week: what did you do in that? Not your responsibilities, but what you did—how much time did you spend on the phone? How much time did you spend in meetings? How much time did you spend dealing with clients? How much actual physical work you did, etc.

Every person, even in here, does 10 or 12 significant activities over a normal work week. You have these activities and I challenge some people—if a subordinate was doing it, then the supervisor did what the person thought the subordinate did, you'd end up seeing two sheets of paper that—you wouldn't know they were talking to the same person. So what happens is, people don't know what their subordinates are doing and the subordinates don't know what the supervisor's expecting. This activity estimating is a simple thing to learn and it's also illustrated in the book.

The final point I want to make is some comments on edufare—that is, giving people on social assistance opportunities to gain knowledge. Every person who goes on social assistance—and I'm thinking more of the younger people—is going to cost government \$1 million to \$2 million. That's right, it'll cost the government \$1 million to \$2 million. When you take our current rate of inflation, if they're on welfare or social assistance for 20 years—and many of them will be on it for 20, 30, 40 years—then the number becomes enormous. We've got a lot of people going on social assistance now. But can we not change our concept and instead of going on social assistance, they're

going into education? This has been tried and it's working in some places.

I'm trying to make an impact on it. If you put a person in school versus putting him or her on welfare, then you're going to create, hopefully, a potential wage earner at a higher level sooner. Where do you put them? Well, all schools have extra space and day care should not be a problem because in some schools they have day care facilities. Therefore, you're creating extra jobs there. Or have these people go to school for six months and maybe work in a day care centre for six months. The point I'm making is that you can do this. I call it edufare and I leave that as a new thought to you.

You can also do things such as expand the school year to take into account, maybe, the extra people you want to educate. You can expand the school day. You can get great utilization from the same facilities. We're doing that at Centennial College. In fact, I teach a course in operations management on Sunday morning from 10 o'clock to 1 o'clock and there are 20, 25 students who show up every Sunday. It shows that people will come in the so-called weekend college. Our college goes 48 weeks a year—three 16-week semesters. It's no problem in the summer; it can be accommodated. We've got some good thinking happening and I'm just trying to present some other thoughts for you.

If you'll let me summarize: The government of Ontario needs more operations management, so that's our acronym—GOOM. There are three main points I want to leave with you. One is span of control. You people are in a position to push wider spans of control. That will in turn reduce the levels of bureaucracy. To help even further, introduce some simple work measurement, starting off with the activity estimating in a pilot department. I'd be glad to work with anybody on a no-fee basis and provide what expertise I have for the benefit, hopefully, to the province. Again, the government is doing some positive things. It's not all black out there. I see some good signs out there in the types of things you are doing.

I'll be pleased to entertain any questions.

The Chair: Maybe we can get some copies of your book for members of the committee, if you could see that we all get a copy. I think it's a very interesting fact—you talked about your college, having it year-round. When I think the summer holidays were actually for kids to work on the farm—I don't think too many are working on the farm any more. I'm going to go along to Mr Phillips.

Mr Phillips: I think it's Mr Kwinter, actually.

The Chair: Mr Kwinter? Okay.

Mr Monte Kwinter (Wilson Heights): Professor Kolodzie, I listened to you with great interest. I just couldn't quite gather what the objective of your recommendations is. Is it to make the government more efficient, to make it more cost-effective or to reduce the size of the bureaucracy?

Mr Kolodzie: Well, actually, I call it all economic efficiency. All those things I mentioned will lead to an economically efficient government and you are doing things now in that direction. There's a problem with the recession and the recovery that's causing a big deficit, but

if you hadn't taken the steps you have taken the deficit would be substantially higher.

Mr Kwinter: In your remarks you stated that if you sort of get rid of the levels of bureaucracy and if you take them, say, from four up to eight, you would free up some spaces to bring two more people in at the bottom.

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Mr Kolodzie: You could do that.

Mr Kwinter: And that's what sort of causes me some concerns. What in fact you're saying is that for every one you eliminate, you bring in two more.

Mr Kolodzie: You could, if you wanted to go in that direction to create more employment. I'm a firm believer of reducing the size of bureaucracy up here and get the workers closer to the management to reduce the level of bureaucracy. So in theory, if you wanted to stand still in the total spending, you could eliminate a \$100,000 job at the top, spend the same amount of money and have two \$50,000 employees at the bottom doing things like operations management. I've got 25 students in the field of operations management. They'd love to practise what we do in a classroom, for instance, in government on a co-op project and they would in turn generate further savings.

The Chair: Two minutes left.

Mr Phillips: My question is somewhat comparable to my colleague's. Have you done any analysis on the cost of someone retiring early? We've historically used that as a model. I wish I'd done more work on it, but my intuition is that a huge amount of our unfunded liabilities in some of the pensions is as a result of trying to deal with our human side using pension funds. I'm just thinking, if someone retires early and they get a \$50,000 pension, to support that \$50,000 pension you've got to have backup of probably \$600,000 or \$700,000 in the pension fund to fund that amount of money each year. Have you calculated the incremental cost to the pension fund of someone retiring early?

Mr Kolodzie: No, I haven't done it personally, so I can't truly answer that picture. But the point is, if a person stays on the job, he or she is staying for very little extra money in a true sense. If they retire early, they can maybe get 60%, so they're working for maybe—

Mr Phillips: I guess my point, if I might, is that somehow or other we have this feeling that the money that comes out of pensions is sort of a Never Never Land. But in effect you're suggesting that if someone retires 10 years early and gets a \$55,000 pension and you replace that person with somebody making \$45,000, in some respects that position's costing you now \$90,000 a year: the \$55,000 pension and the \$45,000—in some respects, if you look at it that way.

Mr Kolodzie: The true saving is in not replacing the person who retires early. That's what they're doing in GM.

The Chair: Okay, I'm going to have to move on.

Mr Kolodzie: That's the true savings of not replacing a person. We could do some other things.

The Chair: I believe before this committee last year, you were talking about one civil servant costing the government \$1.2 million.

Mr Kolodzie: Yes.

The Chair: Okay. I picked up a few things last year.

Mr Phillips: What other things?

Mr Carr: Thank you very much. I appreciate your presentation. I was interested in some of your comments about the management training we do. I agree. Having looked at a lot of companies, there is a real lack of understanding about management even in a lot of well-run companies. We've got a lot of poor managers out there, but we also have a lot of employees who don't understand, as well.

You teach a subject. I believe the way to do that for both somebody who's going to be the manager or some of the employees—they need to know a lot of these techniques, where to expand the control and all the various techniques out there. Should we be teaching a lot of this in high school? Would they be able to comprehend it? If so, what grade should we be teaching some of the things you're now teaching at Centennial? Can we do it in 10, 11 and 12?

Mr Kolodzie: In a small way, it is introduced in high school through the business courses that some people take as an elective. I believe it should be—

Mr Carr: A core course?

Mr Kolodzie: It should be compulsory, but I'm biased. We teach a lot of social issue courses, but we don't teach any courses in—

Mr Carr: What's going to happen when you get a job.

Mr Kolodzie: —yes, a person getting a job. I believe it should be taught, but it's got to be through efforts of people like myself who have to get out into the high school system and talk to students.

When they come into the college they take a general in the business program; they don't come in and take an operations management program right off the bat. A couple of them maybe do, but we recruit them from the business general studies program into operations management in our second year, and then we end up with about 25 graduates in operations management.

Operations management is a field that is necessary in the service industry, in government and hospitals; some of our case studies deal with hospitals, with government organizations plus manufacturing.

Mr Carr: I believe long term you're right, the way we've judged managers is you have a big stick, and if somebody doesn't do what you want—the repetition—then you hit him over the head. It's got to change on both sides. I think there will be better cooperation that way. Employees will enjoy it more. It's got to happen with nurses, it's got to happen right across the board, and the way to do it is through the education system so people understand some of these techniques, many of which are fairly new in theory. I think that's the way to do it and I think we should be doing that.

Looking at the Ontario government, where we've got about 90,000-odd employees, if we were to take your advice and go through the ministries getting the same efficiencies

we would need, what level do you think, staffingwise, could we run the Ontario government on—and it may be a difficult question—if we were to introduce these techniques right across the board? What would we be at?

Mr Kolodzie: I can make a statement and I can prove it in a small way and extrapolate it across the board. If any people in my field use the position that if there has been no efficiency studies or no operations management studies in any organization, you can figure that there is as much as 50% too many people.

The Chair: I think you've shocked everybody here.

Mr Kolodzie: I could prove it. I don't know whether I taught the Christmas card example last year, but I can give you people a five-minute problem: How long does it take you to prepare 100 Christmas cards for mailing? I'll give you 100 stamps, 100 envelopes, 100 names and addresses and—

The Chair: That's a hard one. It could be on the computer already and the labels—

Mr Kolodzie: I'm not giving you a computer, I'm going to give you a pen. The answers can be horrendous, then I can teach you how to analyse work to break the job down and come up with—everybody would have the same answer because we'd be doing it the same way, following the same method and technique. The worst answers I get are from general managers and presidents. The best answers I get are from first-year college students. Why is that? I've done a lot of thinking about that—because first-year college students haven't learned any bad habits.

Mr Carr: I think you're right, I wouldn't go—

The Chair: Mr Carr, I've got to carry on. You've asked some real interesting questions there. Mr Wiseman? You didn't have your hand up? Mr Johnson, sorry.

Mr Johnson: Thank you for your interesting presentation, Mr Kolodzie. In my life prior to politics, or at least most of my life prior to politics, I worked for the Ministry of Community and Social Services. At that time, my perception of the government was that there was indeed an element of too many bureaucrats, I guess you could say. There were too many supervisors and not enough people doing the work and that was always a perception I had. But to achieve a greater efficiency, you indicated that at the bottom level, if you were to reduce the supervisors and double up, make it a wider scope of—what's the word you used?

Mr Kolodzie: Span of control.

Mr Johnson: Yes, span of control—then there would be some cost efficiencies, and I agree. But wouldn't it be better to apply that same idea and to achieve greater efficiencies higher up the ladder, because bureaucrats higher up the ladder make more money, and if you were to pull them out and increase the span of control at that point, wouldn't it be greater efficiency to—

Mr Kolodzie: Oh, it's all the way through the whole organization. My concept is reduce the levels of organization. You can take one of your ministries, the Ministry of Trans-

portation, and have your deputy make an organization chart of everybody on one big wall and how many levels there are.

Mr Johnson: Why the deputy? Why not someone at the bottom, because the deputy has some pre-conceptions that might skew the good results you'd want.

Mr Kolodzie: Well, you can direct your deputy, but if you want something done, I've got college students who are looking for co-op positions and they can do it. Some of them are willing to work for the minimum wage; some of them will work for the opportunity of learning.

Mr Johnson: You mentioned another thing I found very interesting, and that's the fact that most supervisors truly don't know what their subordinates do. That's something I became very aware of as well when I worked for the Ministry of Community and Social Services. Most supervisors do not fully understand the extent or all the facets of the job their subordinates do.

Mr Kolodzie: That can be easily done with this activity estimate. There are so many simple techniques out there and people need knowledge. In our classes I call them nuggets of knowledge, and every class I try to have the students leave with four or five nuggets of knowledge. That's the key thing. I've tried to leave you with three or four nuggets of knowledge. You have to keep repeating and repeating and then it sticks in your mind. Ron has remembered a couple of those. But also keep in mind edufare, how much it's going to cost the taxpayers for a person who goes on social services. If that person could go into an education program to be a wage earner, you're just reversing the whole thing. There is no problem. We can compete with anybody in the world, no problem at all.

Mr Johnson: I think some of those programs exist, actually, and are starting to be implemented to take people off welfare and put them into the workforce so they can be more productive. Thank you.

The Chair: Okay, I'd like to thank you, professor, for coming before this committee again this year—

Mr Kolodzie: See you next year.

The Chair: —with your extra few nuggets of education.

Mr Kolodzie: Next year I'll come in and give you a test—

The Chair: A test?

Mr Kolodzie: —to see what you remember.

The Chair: The Chair doesn't write the test, only the committee members. I mark the test. I think some of the members of the committee should take a look at Hansard last year on your theory of reducing one person in the civil service. The cost, I think, was \$1.2 million.

Mr Kolodzie: That was at last year's current inflation. This year the savings are not as great because inflation is under control.

The Chair: Okay, thanks, professor. We'll recess until 2 o'clock.

The committee recessed at 1202

AFTERNOON SITTING

The committee resumed at 1400.

COALITION AGAINST POVERTY

The Chair: This is the standing committee on finance and economic affairs. The next presenter this afternoon is the Coalition Against Poverty. I'd like to welcome you to the committee. We have until 2:30 and if you can, leave some time at the end for questions from the committee members. Please identify yourselves for the purposes of Hansard. You may begin.

Mr John Clark: My name is John Clark. With me are Merle Terlesky and Josephine Grey. We'll be happy to help answer any questions that you might have. I apologize for my voice. I have a terrible cold, so I'm going to struggle through.

First of all, I would like to explain that we came before this committee because we had chosen not to participate in the round tables that were established by the Treasurer because we had found the basic notion of sitting around the table with the chamber of commerce and our opponents while the Treasurer looked on like Solomon to be not a particularly useful experience and not a particularly useful method of conveying the point that we're trying to get across.

Excuse me, I'm very sorry. I don't think I can—

The Chair: All of us have been battling a cold this winter. I think everybody's got one. When you get in here and it's so dry that it makes it even worse.

Mr Clark: The truth is I have such a high temperature I can't see what I've written. I'm going to ask Josephine Grey, who is with low-income families, to go ahead and make some remarks. I'm afraid I'm just unable to continue. All I have in front of me is a blur at the moment. I understand Josephine has some remarks for her organization she wants to make.

Ms Josephine Grey: I'm just going to look at his notes so I can add them to mine, if there are any that make sense to me. There's quite a few.

The Chair: How about we recess for three or four minutes. Then you can put your thoughts together.

The committee recessed at 1406 and resumed at 1407.

Mr Clark: I apologize for this lapse.

In any event, I'd like to make the point that your committee is holding these hearings at quite a pivotal period, approximately halfway through the term of office of the provincial government. What I wanted to suggest, on behalf of my coalition, is that it's time to take stock of some fundamental issues.

Primarily, we would like to address the question of the fixation with the notion of controlling costs, the fixation with the notion of deficit-bashing as a feature of government policy that has been so dominant.

I'd like to say, first of all, that in our opinion, in the experience of our coalition, representing as we do anti-poverty organizations across the province, it is simply not accurate to suggest that at the moment, as the Premier was

suggesting in Boston, the needs of social justice and of financial economic competitiveness have been melded.

In our experience, the notion that the demands of Bay Street and the needs of the poor are getting an equal hearing before the government is simply not accurate. This government to date has engaged in cutbacks that health care workers will be prepared to tell you have hurt, that students know only too well have hurt; certainly the 160,000 people a month who are queueing up at food banks in Metropolitan Toronto alone are only too well aware of the fact that they have been hurt.

As a representative of an organization that marched with the governing party when it was in opposition and understood its commitment to the eradication of poverty, to the elimination of hunger, homelessness and poverty, to the ending of the need for food banks, over two years into the mandate of the government, we have to say that the situation facing the poor has deteriorated inordinately and that we don't feel it is accurate to suggest that measures of protection have been provided.

We are preparing now, we are bracing ourselves for another provincial budget, one that from all indications, from all that is being said by the Premier and the Treasurer, is at this stage of the game likely to be one that intensifies the neo-conservative route of cutbacks.

I suppose we would like more than anything to deliver the message to this committee that there are no more hits to be delivered that can be sustained by the basic social services of this province. There is no more fat to be trimmed. We are dealing with a situation where people are hurting and people are hurting very badly.

Quite the reverse, we call on at least the government side of this committee to reintensify its commitment to dramatic action to deal with poverty, the kind of dramatic action that was suggested when the governing party was in opposition. I'm aware of the fact that whenever one makes such a suggestion immediately the response you get is: "But where is the money for this to come from? We are strapped. We face severe financial constraints." That may very well be true.

We could talk about the measures of tax reform that this government suggested when it was in opposition, but I don't think that really addressed the fundamental point. I always well recall that on one occasion I heard a single mother make a presentation before London city council. She said to them: "You always tell us that there's no resources to meet the needs of the poor, but if a situation arose where the snowplowing budget for this city were all used up in the first month of the winter, it's absolutely inconceivable that your position would be that the money is all gone and we're just going to have to put up with clogged roads for the rest of the winter. There would be a recognition of the fact that maintaining open roads was a priority."

I would like to suggest that when governments of any political stripe tell the poor that there's no money to deal with their needs, that's not really what they're saying.

What they're really saying is: "You are not for us a political priority. It is unfortunate that you live in poverty, but at the end of the day you're just simply not that important." I must say that in our experience, this government, as others before them, have taken that fundamental position.

The deficit that the Rae government seems so concerned about and so determined to wrestle to the ground is, I think, when all is said and done, not primarily a product of Queen's Park. It arises from the federal policies that have been pursued. It arises from economic conditions largely outside the purview of this government. But we have to say that through this government's route of cutbacks, it is making its contribution to precisely the neo-conservative agenda that is coming out of Ottawa.

When we see the spending power of social assistance cheques cut, when we see transfers to municipalities, universities, schools and hospitals reduced, it is simply, I think, inaccurate to suggest that this is some temporary measure necessary to get us through a difficult period. It is the beginning of the creation of precisely the kind of level playing field that the government in Ottawa has shown itself so committed to, and we find it staggering that this governing party has chosen to go the same route.

I apologize for my halting comments here, but more than anything our coalition would like to suggest and suggest very strongly to this committee that if it is going to do anything useful, it should be calling for a fundamentally new direction. It should recognize that the directions that have been taken so far by this provincial government, Tory-like in many ways, have hurt people very badly, have hurt the very people who trusted this party when it was in opposition. We'd like to see a commitment to defend and strengthen basic social services.

I suggest that it would be appropriate for the members of the governing party to leave neo-conservative politics to the professionals and give the people of this province what they voted for and what they expected. Thank you very much.

The Chair: I'll start off with Mr Arnott.

Mr Arnott: Thank you very much for your presentation. You did a fine job, in spite of your cold, of articulating your concerns. The C.D. Howe Institute issued a report about a week ago, and I, as the member for Wellington and looking at that situation across the province, had been increasingly concerned, prior to the issuance of that report, that at some point we may have grave difficulty in borrowing to maintain the programs we have. The C.D. Howe Institute is a think tank that has great respectability, which confirms that there is a strong possibility we may have difficulty in the future. Does that concern you?

Mr Clark: I think that unquestionably we can agree that the deficit is not a flippant issue. We can agree that it is a real problem facing governments. But at the same time, on the basis of seeking to control the deficit, we are seeing, I think, not just temporary cutbacks; we're seeing a fundamental erosion of basic and important and vital services.

I think it needs to be recognized that a million or more people out of work is a very strange way to run a country.

I'll be the first to agree with that, but given that situation, if you have that number of people unemployed, you are going to have a large deficit. It flows from that situation.

If you choose to cut income maintenance programs to the bone and put your money instead into police services, psychiatric institutions and prisons, one way or another you still pay for that state of affairs. I believe that controlling the deficit is something that is going to have to come from economic recovery and not from putting the boots to basic and important services.

I think that in the final analysis the point we seek to get across to this committee is that as unfortunate as this situation may be, in the words of the ideologues of deficit control, and as regrettable as it maybe to leave a large deficit to our children, leaving a shattered infrastructure, leaving people who go hungry, leaving people who are literally sleeping on the streets, is an infinitely worse legacy to be leaving our children. We have to respond, I think, to this emergency situation with emergency measures.

Mr Arnott: Do you feel that society has a responsibility to ensure that all people have adequate clothing, shelter and food? Does it go beyond that?

Ms Grey: I think you have to recognize that a lot of what our laws relating to poverty and our programs relating to poverty are based on are some very old notions that even arise from times when a pioneer kind of activity was available. This is no longer possible for anybody. You can't just go out on a piece of land, build yourself a house build yourself a farm and go from there. From now on, and from quite a while ago, you have to have money in order to survive. Having changed the way people live from their being able to subsist on their own to having to depend on an economic cash flow kind of economy, you have to be able to provide those things.

I don't think it's enough either to say, "You've got a roof over your head and a few pieces of clothing on your back." If people don't have access to the mainstream—as they call it—of economic life, to education and things like that, then you have people who are endlessly dependent from generation to generation. If you're going to have people who are actually able to make choices, to move in and out of poverty—keep in mind that people who are poor are not people who are poor from the day they're born to the day they die. They tend to be people who are in that situation at that time and while they're in that situation, you have to make sure they don't fall right out the bottom.

This is what's happening now. A lot of these people who've become unemployed in the last couple of years due to the recession are not only going to lose some of the luxuries in their lives; they're going to lose everything they've had and they're not going to be able to recover. When somebody is 45 and is out of work now, and the family is forced to move out of its home and give up everything it has, it's very difficult for that family to be able to regroup and get itself back together.

The danger of this deficit reduction kind of idea is saying that the poor aren't important and you're going to let them drop out the bottom. You'll have people who therefore are not able to participate in the community and

in the economy like they were able to. But I think also that I see this government and other governments making the mistake of saying, "Oh, we're just going to sit here and wait for the boom, for the recovery."

We're not going to have a normal recovery. This is obviously a restructuring, not just a recovery kind of situation. We have to change the way things are done and change the kinds of things people are going to do in order to support themselves. We can't expect big business to come flying in and give people a lot of jobs any more. If it's self-employment, if it's looking at local sustainable economies, if it's looking at other kinds of community involvement, we have to look at alternatives.

We can't just want for Abitibi or somebody to come in and give a whole bunch of people some jobs. It's not happening any more. I get really tired of watching governments wait for that kind of activity to fill in these holes. These holes are real and they have to be filled in by a lot of things, but in the meantime letting people starve is the worst possible thing, because down the road, as John pointed out, it gets even worse. Every time a family runs out of money and gets to the point where it is falling apart and it has to have its children taken by children's aid and everything else, you're spending two and three times as much on the same children as if you'd just given the mother adequate money in the first place.

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Every time somebody tells somebody like me, "You should be out there in the workforce because you'd be contributing more," they're not looking at the reality of the situation. If I have four children, or if people have three or more children and are expected to go out and work, the amounts of money that are required to support that activity are as much as what I'd be earning.

Let's get a little more realistic and stop accusing people of sitting at home doing nothing and recognize that most people are there because of structural problems, not their own fault, and start curing those things.

Mr Arnott: Yes. I wasn't saying that. Just getting back to my question again, I was asking to what the extent—

The Chair: Just a minute. There was a comment the other gentleman would like to make, because, Mr Arnott, your time is actually up. I'll let him comment.

Mr Merle Terlesky: She hit on a lot of points, but I think today this government has to really make a fundamental choice. The history books are already beginning to be written on Brian Mulroney. We've seen a government there that concentrated primarily on deficit reduction on what I would say was the backs of the poor all across this country, and it isn't going to change any with another leader. I'm convinced of that, as a person on welfare.

This government in Ontario has to decide who is going to write its agenda and who's going to set its direction. You have an option. Your options are Bay Street and the triple A credit rating agencies and the International Monetary Fund and suchlike to write your agenda, and be the primary lobbying source for which direction you go in, or the very people who elected you and the very programs you have.

Ultimately, you can continue on the path you're going. There is an extreme disfranchisement with the electorate out there. They're quickly beginning to see right across North America that all three of these parties aren't really any different. Bill Clinton is already using the language that George Bush did, only weeks into his government: "The deficit's big. There's less money than we thought. We're going to have to cut people off welfare in two years." The language is beginning to be the same.

Really, I think, fundamentally this government has to make a decision as to whether it's going to be something different than all the other parties that we've had previously in power that concentrated on deficits, and whether it's going to start putting poor people ahead of that.

As to the idea that the cupboards are bare, I think myself and many others just simply can't buy it. The cupboards weren't bare for the Gulf war. Millions of dollars were put into that to go off and conduct that war. There was no problem finding money for that. That was Ottawa, but still, governments after governments that say the cupboards are bare are able to find money for different things. That's all I wanted to add.

Mr Johnson: You've said a lot and there's a lot I'd like to refer to, but I don't have enough time. I just want to talk about the future of the province from a government's perspective and how it deals with its finances.

It may not seem an important thing to someone who's impoverished that the province keep a good credit rating by those bond rating agencies, but incredible as it may sound, that's very important, because when the province wants to borrow money to fund all the programs and services that are demanded by the people of the province, because it can't fund them through the revenue because of the lack of revenue sources at this point in time, then a good credit rating is very necessary. How we manage today is going to determine how the province fares in the future.

I'm sure members of the opposition could argue some of the finer points of this, and so could you, I'm sure, but it almost doesn't matter. I'm going to say this: It almost doesn't matter who's in power; there are certain things that have to be done, and one of those things is making sure that the province is viable in the future.

How we get there, of course, is something on which nuances and some different viewpoints could be raised, but to have a good credit rating so that we can borrow money when it's necessary, so that we get the best rates, so that we have the money to fund the programs during this restructuring which absolutely is happening and we have to deal with. I think we have to take that into consideration. I just wanted to make that point.

I don't know that the analogy of a snowstorm and having money and going and borrowing money for a municipality to clear the walks is a good analogy to draw when you're talking about people who are homeless, poor, starving, as you say. I think that if people absolutely were starving, absolutely had no shelter, those things would be addressed immediately.

Certainly, when you talk about snow on the streets, everyone's concerned. Commerce has to operate and people have to operate. Otherwise, the revenues the province needs

are in some way diminished because of that particular snow-storm you speak of. I just wanted to make those comments.

The Chair: Did you want to respond to Mr Johnson?

Mr Clark: Yes, I would like to briefly respond and really say this, and I think a couple of people have already alluded to this: When we're talking about the eroding of services in an effort to control the deficit, this is a slippery slope. We are not here dealing with a situation where cuts are being made and next year or the year after, these things are going to be reinstated. Throughout North America, the whole agenda that is being pursued is one—as they say—of the level playing field, the undermining of the social infrastructure.

We look at something like a decision to give people on social assistance an increase in their earnings that is below the rate of inflation. Let me say that this isn't something that can be taken flippantly. That's something that does a great deal of damage to people.

When it comes to the eroding of services, just recently we had the opportunity to go down and meet with our counterpart organization in Detroit and we saw the sort of, if you like, logical direction that is being pursued with this dismantling of services. It's of course true that this government hasn't gone as far as the state Legislature of Michigan, and we may hope that doesn't take place during the life of this government, but I want to make the point that this game of beginning to erode the services is under way in Ontario and I think you have to honestly face up to what you have done.

The Chair: I'm going to have to go on to Mr Kwinter.

Mr Kwinter: Mr Clark, I think it's interesting, because you are really reflecting the feeling of a lot of people about this particular government. I don't want to be partisan, but shortly after Premier Rae became the Premier, I had a conversation with him and he said, "You know, Monte, the best thing that ever happened to politics in Ontario is that we form the government," not because they were so great, but he said: "I suddenly realize what it means to be in government. When I was in opposition I never had any idea of some of the problems that we would have to address."

What has happened, and Ron and I were discussing this at lunch today, is that for the first time in close to 50 years, all three parties have had a chance to be in government, whereas for 42 years just the Conservatives were there.

What happens is that you suddenly realize that some of your aspirations, some of your desires, some of your policies sound great when you're in opposition because they're rather simplistic. All you have to do is take a look at the government's Agenda for People. They haven't been able to carry out hardly anything of that, and I'm not being critical of them. It's just because they were formulated in an opposition framework without knowing the reality.

The first budget that came out in 1990 stated that we were not going to fight the recession on the backs of the people of Ontario. They came out with this grandiose plan. Now they have done a complete flip because they have to come to terms with certain realities.

One of the things, and I'd like to get your comment on it, is that the deficit per se is not the problem. The problem is servicing that debt. No matter what you say and what you do, you can run that deficit as high as you want to and it's not going to make too much of a difference other than you've got to pay the interest.

What is happening when more and more of the tax revenues go to pay the interest, is that then you have less and less money to provide the services. It's a self-defeating proposition, because industries say, "Why would I go into a jurisdiction where most of my taxes are going to pay for a deficit instead of paying for infrastructure, instead of looking after the people, doing all of these things?"

I understand where you're coming from and I'm terribly sympathetic, but it would be very helpful if, without just giving a sort of emotional response, "How can you do this to the people who really need it?" you could give us some suggestions as to how to make this happen and still be able to function as a society.

Ms Grey: I think one thing that's important is to recognize that when services are not harmonized, when they don't mesh properly with each other, there's a lot of waste, a lot of duplication. Because ministries that deliver human services have a tendency to ignore the voice of the client in their delivery, they're often missing the boat and wasting a lot of money. A lot of things can be cleaned up simply by having better communication and by reducing the amount of administration that's involved.

1430

For instance, the amount of money that's sunk into policing social assistance to catch that 3% to 4% of fraud is an enormous amount of money, it recovers very little, yet nothing is spent on getting back the money which is lost to tax evasion, which is much, much greater than any kind of welfare fraud.

All the various kinds of forgone revenues that the governments allow—your government, the Tory government in Ottawa, you allow all kinds of forgone revenue basically which amount to subsidies to corporations and companies. These can be closed, and they don't all have to be closed. You don't have to terrify everybody and turn everybody into capitalists. You can just close little loopholes here and there and gain a lot of money back.

Things like, for heaven's sake, I think at this point when we have children who are starving and children's aid taking families apart, I think at least now you could get away with closing, for instance, whatever you call the business lunch exemptions, things like that. All of those kinds of things you could start to close off. People don't need these kinds of luxuries. They never did; they don't need them now.

You could also put some ceilings on some of the salaries of people, especially in crown corporations. You could put some ceilings on these really high salaries that are completely unnecessary and you could make sure that those who do have them are indeed actually paying the tax by closing some loopholes. There are some ways in which you can get some money back. I sat on the Fair Tax Commission; I looked at the numbers. There's money floating all over the

damned place that nobody's getting a grip on what you could get back without harming anybody who's poor.

One of the reasons it's so easy to come down on the poor and cut programs to the poor is that the poor are essentially voiceless. But what the NDP should recognize is that it's largely the poor who got them in and that just because they don't have access to the media the way Bay Street does doesn't mean we're not paying attention. We're very pissed off.

But the other thing you could be doing is taking out some of the leverage. When it comes to things like development of social housing, there are consultants, lawyers, this and that and the other million things. People are getting hundreds of thousands of dollars a year in the process of developing one building or two buildings of social housing. You could cut a lot of that out and make sure your ministry provides those same services and save thousands and thousands of dollars.

You could also do some control around how the banks handle those things. You guys put money out to do things for social programs and you allow all kinds of private sector interests to feed off it like a bunch of vultures, including the banks. You can control that. You can also go back to Ottawa and say: "Look, you put a cap on CAP at a time before the recession. Take it off. Put the money back in." Because you know half the reason your social assistance rate money has gone so high is because they've reduced their contribution. Go after the federal government. Get them to put some money back. Say, "Look, you're still getting tax points from us, but you've been cutting what you give us."

Also look at some of these alternative things that have been coming out, like the children's benefit. Start trying to find ways of delivering income maintenance without the level of policing that has been layered on top and without the level of administration. If you hook things into the income tax system, for example, you can get fairly accurate, fairly swift reporting without having to have thousands and thousands of bureaucrats involved.

I think you've got to start looking at where the waste is and the fat is within government and within the private sector that relates to social programs. But make sure that you protect the levels and increase the levels which, particularly poor children, are trying to live on. I tell you, it's just totally inadequate.

The Chair: I'm going to have to cut you off. The time's up. I'd like to thank your coalition for coming before this committee.

Mr Terlesky: Thank you.

CANADIAN ITALIAN BUSINESS AND PROFESSIONAL ASSOCIATION

The Chair: The next group is the Canadian Italian Business and Professional Association. Would they come forward, please. I'd like to welcome you to the standing committee on finance and economics. We have half an hour, until 3 o'clock. With your brief, if you can leave some time at the end for questions from the committee; and if you wouldn't mind identifying yourselves for the purposes of Hansard and the committee here, you may begin.

Mr Forese Bertoia: Thank you very much. We've prepared a brief and I think it's been circulated to you all. My name is Forese Bertoia. I'm a member of the CIBPA in Toronto and I've been chosen to present our brief to you. Do I have to push a button?

The Chair: No, that's all right. We just happened to turn off that mike. I can hear you better.

Mr Bertoia: I won't go through the preamble of what we have to say. You can read it for yourselves. Basically, we're concerned both on a provincial level and a federal level with the level of government spending and the taxes and what we consider to be tax fatigue.

Our association represents small and large businesses in the Toronto area and we have affiliated associations across the province. These are made up of individuals and families that have come to this country with very little and through hard work and daring have built up considerable fortunes and business interests, employ hundreds of people and generate millions of dollars and pay large sums of money in taxes.

We are concerned about the direction this province is going, the direction the federal government is going and the direction the municipalities are going towards relying increasingly on deficit spending, because in our view it threatens the opportunities that our community has benefited so greatly from. With that being said, I'd just like to proceed to what we think should be done and perhaps how it should be done. Perhaps you want to follow along. It's really on item X, page 4.

Basically, there's a general incentive or tendency to spend money on large projects—I'll use the subway for an example, though it's a bad example perhaps—that generate a lot of interest and create a lot of jobs, but those jobs have no lasting effect. For example, construction jobs will last six months or seven months, but then there's no lasting impact, they're gone, as opposed to a manufacturing plant that may last years and years.

We think the billions or millions of dollars would be better spent providing everybody with a general tax reduction. That may contradict what we have to say about the deficit, but if we're going to spend the money, which we don't agree with, we feel that everybody should benefit, not just a few select industries or individuals, which seems to be the tendency with the plans as they are envisioned.

For example, as we say here, a 1% reduction based on the taxable income in the province of Ontario generated by the taxpaying members would roughly be about \$2 billion. We're going to spend a few billion dollars on subways, and there may be other projects in the pipeline, but we think it would be better off and create a better environment among the consumers and the people who will sustain the general economic recovery if they benefit rather than being taxed.

We also believe that new government agencies, like those that are proposed for highway and water, should not be established, because they represent an opportunity for governments to incur future debts to really pursue off-balance-sheet financing by sticking debt and expenditures in corporations that do not fall under the provincial accounting.

I think we can only look at Ontario Hydro, the Workers' Compensation Board and the last example, Sky-Dome, as examples of where the government has created government agencies and they've racked up billions of dollars of debt. If we allow the creation of a highway crown corporation or a water crown corporation, we're going to incur further debts in addition to the ones that are already there.

We believe that if such crown agencies are going to be established, they should operate basically on a balanced budget basis; that they should justify the money they're going to spend and be able to match the money they're going to spend through the revenues they wish to create.

We also believe that the money that's going into general revenues right now should be taken from general revenues and put into those crown corporations so that in effect there's not the ability for the government to double-tax individuals, once through a tax going into—for example, there's the highway and road taxes, the gasoline taxes and the tire tax, and now there's a proposition that we pay tolls. We believe you can't have it one way and have it the other.

If we're going to tax people, if we're going to take an overview and say everybody benefits so everybody should pay, that's fine, but then we shouldn't levy on top of that additional user fees for the users of the service. If we want to tax drivers, then we should eliminate tire tax and gasoline tax, if that's the idea of the taxes.

We believe—and we set out in the exhibits the expenditures by the government agencies—that to control government spending without curtailing services, the agencies should pursue a zero-based budgeting initiative, because the tendency is, in our opinion, to just take last year's budget, spend it and say, "The rate of inflation is 1% or 2% and we need a larger budget next year." The problem with that is that 1% or 2% over four or five years contributes millions and sometimes billions of dollars to the required tax revenue.

1440

In our item E and in our exhibit schedule 3, we've separated what we consider to be major program expenditures. They largely include Health, Community and Social Services, Education, Colleges and Universities and so forth. Of total government spending they account for roughly \$43 billion of approximately \$50 billion in government expenditures and since 1990 actual expenditures they have increased 37%. Now those are the largest absolute values, but there have been significant increases in the other smaller programs but 37% increase over four years.

Our concern is, are those programs serving the purpose for which they were originally intended? I listened briefly to the last group and they were talking about providing the services. For example, the Ministry of Housing has increased spending of \$500 million over the last four years and that largely has gone to the operation and the construction of non-profit housing.

We don't want to criticize the provision of non-profit housing, but our concern would be, is it being effectively created through the construction of units and then the operation of those units by the government? Would it not be

more effective to provide rental or accommodation credits to the people who require the housing?

I would agree with the previous group that when it comes to non-profit housing, you have architects, then you have development consultants and then you have general contractors, which are going to be required, and they all get a piece of the action and it may be more efficient to let the private market that is out there that is already controlled with rents supply the housing units. You provide the greater integration of those who require housing in the housing market without the additional burden of operating and building the units.

We also believe that perhaps now that the units are built, they should be converted to cooperative or some of those tenants be allowed the opportunity to buy their housing. With the reforms that are coming in welfare, we don't think that this would be a threat to their welfare allowances and would provide an opportunity for them to acquire their units.

Our other point is with regard to health care. It's clearly the largest expenditure in the government. It has increased 23% over the four years and represents \$17 billion, \$9 billion of which is directly related to the operation of hospitals, but through the employer health tax only \$2 billion or \$3 billion is directly raised to offset the cost of the health care budget. That leaves \$15 billion approximately that has to come out of general revenues.

We believe that the health tax is unfair because it puts an obligation on a corporation, an entity which cannot benefit directly from the health tax. We believe that we should return to the system of health premiums where everybody, while not paying perhaps a direct proportion for the cost of the health care service, would be required to pay something towards the service rather than receiving it for free.

We believe also that the operation of hospitals—it's only \$8 billion. Having some experience with hospitals myself, perhaps it might be preferable to allow the hospitals, rather than forcing them to operate the budget every year, to retain money if they operate their hospital efficiently.

We also believe that the drug plans should not pay for drugs that are not necessary to the maintenance of health. We believe that only prescription drugs should be paid for by the health plan or the medical plan.

We also believe that the health care system should not cover out-of-country expenses. There are certainly enough programs available so that if somebody wants to leave the country and has the money to leave the country, he certainly has the intelligence to find a health care program that will insure him when he's out of the country.

We also believe that new social programs should not be implemented. We once again would turn to letting the private market provide the services. In the case of day care, we don't think the province or even the federal government should get involved in providing day care service, that social policy is much better achieved by allowing the deduction of health care costs from income. If somebody spends \$10,000 a year paying for day care, that should be deducted from their taxable income because we think the private sector can provide the services much more efficiently than the government can.

We also believe that greater coordination is required among the different levels of government so that waste is eliminated among programs. In fact, the statements for the government of Ontario reveal that most of the expenditures are through transfers to other levels of government, and we would be concerned that those distributions are not duplicating services that are in existence in other departments.

We'd also give the example of the Ministry of Education. The ministry has policies and directives with regard to the curriculum and how boards are operated, and therefore some direction should be given to local school boards as to the rates of pay those individual members get and the terms of reference under which they operate. Are these boards of education recreating the wheel that's already been well documented in the Ministry of Education?

We also would prefer that if not externally, at least internally, the tax rates be itemized to the programs they're intended to fund. We believe, while this seems perhaps a nitpicking point, that it would bring a greater amount of accountability to government spending, would force the different departments to justify increases in their spending and then the tax rate that would be necessary to raise the revenue.

That briefly is our position on it. I would just reiterate that it's far easier for our concerns or the concerns regarding the deficit and the ability to finance the deficit to be achieved through government spending reductions, because given the level of taxation, the economy would have to add \$60 billion to the economy to operate on a balanced budget, or a lesser amount to service the debt and result in a balanced budget.

I don't think that given the growth of the economy now and given the history of the way the economy has gone, that sort of growth can be attained in a short period of time. It is more effective to look at programs carefully and achieve sounder financial management through government reductions.

1450

Mr Conway: I thank the presenter very much for the brief. As a practical matter, can you help me with the politics of restraint? I've been around here too many years and I actually engaged in a number of program reductions. The problem is that there's nobody in my parade. I've lost just about every one I've fought for. In fact, some of the loudest proponents for same, when the fight started, just took to the hills so fast that I couldn't even trace their footsteps.

I agree with a lot of your assessment. I'm not expecting significant growth. I think all of us have developed an appetite for a menu that we apparently can no longer afford. I suppose you could look back at the old Liberal government and say we played out the tax advancement to probably its current extent. It's probably likely that this government, for a lot of good reasons in tough, tough times, will have played out the deficit option to a very substantial extent. I'm just from Missouri, and I don't see too many easy choices left, so we've really got to do what you advise.

Having accepted your wisdom, wanting to do what you've advised, how do you help with the creation of a better political and public culture that this kind of short-term pain

is really good for everything; it's like cod liver oil, it's really good for you, though it tastes like hell?

Mr Bertoia: We're asking everybody to go cold turkey.

Mr Conway: You caught my attention with SkyDome. I think you're really right about SkyDome, but I was here and I remember who led the charge for SkyDome, some civic boosters and some of the best business leadership in Metropolitan Toronto.

Mr Wiseman: Not to mention the media.

Mr Conway: I remember some people who tried to sort of stand in front of that train and I remember what happened to them. I just need some help, because I agree with you. What do we need to do to change the public context, to change the public culture, so people will understand that their hospital, their business subsidy, their highway—you weren't here this morning to hear the gentleman from the Ontario Road Builders' Association. I hope he doesn't take some of that speech to the chamber of commerce because, oh boy, I got a very mixed signal from him: Cut everywhere else but the highway budget needs an infusion of some real dollars, which is usually the hymn we hear around here. Help me with administering your medicine.

Mr Bertoia: Well, I can't—

Mr Conway: But you've got to.

Mr Bertoia: No, I can't—

Mr Conway: But you're right, there are no other choices left.

Mr Bertoia: I can't explain other people's contradictions and the fact they switch from one side of the road to the other. I'll tell you right up front that I'm involved in the construction business as one of my ventures, and I should be sitting here advocating the building and construction of non-profit housing.

To be quite frank, I think the way it's operated is a joke, because it's true that you get everybody getting a piece of the action. You have development consultants. You have architects. The other thing too is that you have contractors that just appear out of nowhere, and you've never heard of them before, because it's quick and easy money. As I referred to at the beginning, construction jobs are short-lived, they come and they go; these companies, they come and they go. But the dollars are spent and it adds a burden to the operation of the government.

I'm not going to sit here and say we should advocate construction of non-profit housing. How do we get there? I think people are poorly educated as to the operation of their governments.

Mr Arnott: Thank you for your presentation. I can't say that I have any questions. I agree with much of what you've said. I unfortunately don't believe the government of the day is going to heed your advice, but hopefully the next one will.

Mr Wiseman: I have a couple of things. To start with your comments, you're suggesting that anybody who goes outside of Canada should receive zero in terms of funding for his health care. We changed that from paying all of their health care medical expenses while outside of Canada

to what they would have received had they stayed in Ontario. I think that's an interesting comment.

Also, last year the hospital association came in here and said that it needed 8.61% increase in its budget in order to continue. We gave them 2%. Right now the current spending in this government is running about \$500 million below the target. Where the problem comes in is that the revenues aren't coming in. I think there are some changes being made there. Treasury board, for the first time—it just didn't exist before—is there to review all the programs and I can say that's a massive job given the proliferation of programs, so I agree with you on that.

With the deficit running the way it is, I am just wondering, how would you be able to convince all of the major recipients? For example, to cut the budget the way you want to do is a 20% decrease or a 25% decrease right across the board for everybody: health, education, welfare, policing, firefighting, civic workers, children's aid societies. We had Peel in here this morning and it doesn't get enough now, and my community has a dearth of these as well. You have to address that kind of reality if you're saying to cut the deficit to zero.

Mr Bertoia: Ideally, you'd like to cut it to zero immediately, but in the brief we say that over a five-year period perhaps we should get to a balanced budget. With respect to where do we cut, how did we add 37%? Where did the money go?

Mr Wiseman: Welfare?

Mr Bertoia: Thirty-seven per cent?

Mr Wiseman: Unemployment? A deliberate policy on the part of the federal government to have 8% unemployment?

Mr Bertoia: Health care: We can get lost in the numbers, but I know the way the hospitals operate. The hospitals submit a budget, get a budget and work to spend everything under their budget. In my life as an auditor, I did an audit of a hospital and they had sessions trying to create accruals so they could utilize their budget, so they could justify next year's budget. With some of the creative minds that go to work, this particular hospital was accruing for the salaries it would have to pay on a leap year day. It seems to me to be a lot of waste of talent and time trying to set up an accrual for a leap year if the hospitals knew they could get the money they require.

Mr Wiseman: Is it 25%?

Mr Bertoia: Was it 25%?

Mr Wiseman: That's what you're looking at. You've got the numbers here. You cannot cut the—we agree with you that—

Mr Bertoia: Where are you going to get the money to pay for it? You're not going to get \$60 billion in the economy.

Mr Wiseman: What we're asking now is to help us in terms of saying what it is and where it should come from. I do have some disagreements with what you're saying in terms of how to do it. Your health care system would produce a system like they have in the United States.

The Chair: Can you sum up there?

Mr Wiseman: I agree with you in terms of getting the budget under control and balanced. I agree with that. I fundamentally believe in balanced budgets, but I think that to do it we're going to have to be sure we don't throw the economy into an even deeper downward spiral by putting a huge number of people out of work and not doing anything.

The Chair: Do you want to just comment on his statement and we'll wrap up then?

Mr Bertoia: I think we've got to the point and now we're afraid to go back. We can add, in the case of a major group, \$9 billion in total. We've added \$13 billion over four years. We can't go back and there's no attempt to go back. I think you could, and I don't say this facetiously, say we're going to just take 10% off everybody's budget and the system would manage with few adverse consequences.

The Chair: Thanks for appearing before this committee today. We're going to recess for five minutes.

The committee recessed at 1459 and resumed at 1508.

REGIONAL MUNICIPALITY OF PEEL

The Chair: We'll resume the pre-budget consultations. The next group to come forward is the regional municipality of Peel. I'd like to welcome you before the standing committee on finance and economic affairs. We have until 3:30. In that period of time, if you can—well, my watch is a little bit different; it's a little bit slower, so you'll have a little more time than the clock says up there.

Mr Mahoney: We're on Queen's Park time, are we?

The Chair: No, I'm on Lincoln time; it's farther south.

On your presentation, Perhaps you can leave some time at the end for members of the committee to ask questions. We'll be starting off with the Liberal caucus for the first question when you're finished. Would you introduce yourselves for the purposes of Hansard.

1510

Mrs Rhoda Begley: First of all, my name is Rhoda Begley. I'm the chairman of social services for the region of Peel. I'm here of behalf of Emil Kolb, the chairman of Peel, who was supposed to appear. Unfortunately, the chairman has a problem at home, so I'm here as his replacement; not second best, just a replacement.

With me is Mr Paul Vezina, our commissioner of social services, and Mr David Szwarc, director of social services, all from Peel. We're here today to bring you good news and show you ways in which we can help you save money in the province of Ontario.

The Chair: Great.

Ms Begley: Thank you.

Mrs Ellen MacKinnon (Lambton): You're not the first, though.

Ms Begley: This one is definitely going to work. I am pleased to have the opportunity to address the standing committee on finance and economic affairs during this pre-budget consultation. Although there are many areas of the provincial budget that I would like to comment on, I am going to limit my comments today to an area of provincial legislative jurisdiction that is of concern to many residents of Ontario at this time.

In intend to provide the committee with recommendations for some fundamental changes to the current social assistance system. I recognize that the previous Minister of Community and Social Services announced that a white paper on social assistance reform will be forthcoming from that ministry some time this year; however, I believe that the changes that I am to recommend to you today can be made to the existing system and rolled over into a new system and therefore should not wait until there are any future reforms to the social assistance.

I wish to emphasize that the changes to the system that I am recommending will not and are not intended to inflict further hardship on the individuals and families who have suffered as a result of the current economic climate or who have gone through the difficulties of family breakup or who are disabled or infirm.

Rather they are intended to eliminate some of the dependency traps in the current system and encourage mutual responsibility for the wellbeing of all Ontarians. They will also help restore confidence in the social assistance system. I believe that these changes can be made quickly if there is a commitment from the government to do so, and the result will be a better system and immediate cost savings to the provincial taxpayer.

Mr Chairman, I will now present you with specific recommendations.

Sole-support parents: In January 1993, there were approximately 185,500 sole-support parents who received \$200 million in assistance under the General Welfare Assistance Act and Family Benefits Acts in Ontario. Although the intent of this social assistance legislation is to be supportive of sole-support parents, it actually traps them by providing them with a long-term pension. The government steps in when the spouse steps out.

Although there have been some improvements in the last decade through employment support programs and the introduction of a phasing out of benefits, the system continues to perpetuate the myth that women should be kept either by their spouse or by the government. We have seen that this system can be of support to sole-support parents while they upgrade their education or work skills and obtain employment that eventually leads to self-sufficiency; however, the majority of women in receipt of mother's allowance remain in receipt for a period of seven years.

They stay in receipt of assistance while their children are in school only to find that when their last child leaves school, they are no longer eligible for this pension and ill prepared for entry into today's changing workforce. The prospects for these individuals finding meaningful employment and becoming self-sufficient at that time are very, very bleak.

The program needs to be changed to ensure that sole-support parents are involved in education and retraining as early as possible. The social assistance system should be closely linked with the education system so that these sole-support parents can attend school with their children and, while not in the same classroom, at least be in the same facility so that their re-education can be coordinated with their child's education.

The specialized education and training resources must be brought to them in their local schools, either elementary, secondary or college, so that the impact on their families and the cost of support to the families can be kept to a minimum. Co-operative work placement programs will allow these parents to obtain on-the-job skills training and ultimately become self-sufficient.

The social assistance system could then be a truly supportive system for these parents. The end result, I would argue, would be that sole-support parents would remain in receipt of assistance for a much shorter period of time than is currently the situation.

It is my understanding that approximately \$2.5 billion will be spent on pensions to single parents by this province by the end of this year. Over 40% of them have children of school age. This expenditure can be greatly reduced if the sole-support parents are required to acquire the skills that would allow them to participate in a meaningful way in the workforce, once their children are of school age.

Cohabitation: The social assistance legislation in Ontario recognizes two adults who are living together as spouses if they are legally married, or if they had a child together, or if they have lived together continuously for three years. If they do not meet any of the three definitions, then one of the two adults can receive social assistance without any consideration of the other adult's contribution to the family.

Approximately 10% of sole-support parents who are social assistance recipients in Ontario have such co-residents. Therefore, for three years such families can receive social assistance without the full financial situation of the family being taken into consideration. Ten per cent of the annual social assistance paid to sole-support parents is approximately \$250 million.

I am recommending, Mr Chairman, that the legislation that defines a family unit for the purposes of social assistance be changed to eliminate this inequity. I would recommend that the three-year cohabitation rule be changed to a one-year rule. One year of co-residency is adequate time to establish a relationship without jeopardizing the sole-support parent's eligibility for social assistance. After that year, if the couple remains together, they should be treated as a family unit, and social assistance issued only if the family is eligible.

Support for refugee claimants and sponsored immigrants: As you are aware, Ontario is the home to many new Canadians who enter the province either through the federal refugee program or under the Immigration Act as landed immigrants. Although the refugee and immigrant determination process are clearly a federal jurisdiction, weaknesses in the administration of those programs result in the province of Ontario having to pay millions of dollars annually in social assistance payments to refugee claimants and sponsored immigrants. This is clearly an area of federal downloading to the province.

For refugee claimants, the federal government pays the full cost of social assistance payments, but only 50% of the cost of the administration of those payments for the first 12 months of residency. However, the determination process for refugees continues to take more than 12 months. After

those first 12 months, the province and municipalities must pay 50% of the costs.

I recommend that the province undertake an agreement with the federal government that would ensure that the federal government takes up the full benefits and administration costs related to supporting refugee claimants from their date of entry into the country until they are granted landed immigrant status. This is not a cost that should be borne by the province or local tax bases.

In addition, the federal government immigration policy allows resident Canadians to sponsor relatives to this country. In the sponsorship agreement that the resident undertakes with the federal government prior to the immigration arrangement being approved, the resident promises to support the sponsored immigrant for a period of up to 10 years. However, the federal government does nothing to enforce these agreements once the sponsored immigrant is in the country. We are encountering an increasing number of situations where sponsors are refusing to support the families they have sponsored, and those families have no recourse but to turn to the Ontario social assistance system to have their basic needs met.

The agreement that I have recommended that the province undertakes with the federal government in regard to the refugee claimant situation should also contain the authority for the province to enforce the obligation between the sponsor and the sponsored immigrant so that wherever possible, the sponsored immigrant need not be supported by the general tax base in Ontario.

1520

Statistics on the refugee and sponsored immigrant situation for the entire province are difficult to obtain. However, I can tell you that in the region of Peel approximately 2,000 cases each month, which represents 13% of our monthly case load, are such cases. I would expect that the provincial figure is higher than the figure we are experiencing in Peel, because many of the sponsored immigrants whose sponsorship breaks down are seniors who have been sponsored by their children, and these seniors end up in the long-term provincial family benefits pension.

The total cost in 1992 to Ontario taxpayers in the region of Peel for welfare for refugee claimants and sponsored immigrants is estimated at \$18 million. Across the province, this must be a significant expenditure, but one that can be controlled if the political will exists.

Electronic funds transfer: The use of direct bank deposits as a method of making social assistance payments is slowly being phased in across the province of Ontario. The region of Peel has used this method for the last 15 years, and currently has the highest rate of direct bank deposits in both the general welfare assistance and family benefits programs across the province. Direct bank deposits allow for the transfer of funds with dignity and minimize the stigma that is often associated with cashing government welfare cheques. It also greatly reduces the potential of lost or stolen cheques and the need to replace cheques, which is time-consuming, expensive and easily abused.

Recent estimates are that the provincial government replaces 2,500 cheques each month for recipients of family benefits because their original payments go astray. The

value of these replacements is \$2.5 million a month, or \$31 million a year. The administration costs of replacing these family benefit cheques is estimated at \$1.5 million a year. I'm recommending that bank deposits become the primary and mandatory means of paying social assistance in Ontario to eliminate this unnecessary duplication.

Income tax system: The most important recommendation that I can make to you today is that the social assistance system be harmonized with the income tax system. Approximately 15% of the social assistance recipients in Ontario are employed, and receive social assistance as a wage supplementation to their earnings. While I recognize that this wage supplementation provides an important bridge between total dependency on social assistance and independence, I am concerned that these individuals are not taxed at the same rate as their fellow Ontarians, who are receiving the same annual level of family income.

In addition, we often hear allegations that the system can easily be abused because there is no year-end reconciliation between the income received and reported from earnings and the income received through the social assistance system. By ensuring that the social assistance system is linked to the income tax system and treated as taxable income, equitable treatment of family income will be achieved, and abuse of the system through unreported income will be eliminated.

These are bold moves that I am encouraging the committee to endorse. However, the history of cost containment exercises in the social assistance program in Ontario has been a history of tinkering with the system. Intended benefit cost reductions are usually eclipsed by the increased administration costs that accompany the changes. The changes that I have recommended are changes that will reduce costs by simplifying the administration and providing more equity in the program. In conclusion, they are:

(1) to significantly reduce the \$2.5 billion spent on pensions to sole-support parents by requiring participation in education and retraining and eventual employment and by eliminating the inequities that exist in the rules regarding cohabitation;

(2) to reduce the hundreds of millions of dollars spent by the province and municipalities supporting refugee claimants and sponsored immigrants by negotiating changes to the federal government's administration of these programs;

(3) to streamline administration of the program by using electronic funds transfer/distribution system;

(4) to equalize the treatment of family income for tax purposes to reduce the abuse of the system through unreported income by integrating the social assistance system with the income tax system.

Mr Chairman, thank you for allowing me the opportunity to come before you and address the committee.

The Chair: Okay. We're going to start out with Mr Mahoney. He sings from the same hymn book.

Mr Mahoney: In some cases I do. Thank you very much, Mr Chairman. Rhoda, thanks for that and thanks for being here.

I think the comment was that you're not the first to suggest ways the province can save money, but while I haven't been in on all of these hearings, you're one of the first who hasn't done so and at the same time determined what amount of money could be saved and then asked for it. That in itself is perhaps somewhat unique and appreciated.

Councillor Begley, in my days on regional council, prior to your arrival there—Paul, the commissioner, will recall—we had a thing called Project 1000, which was touted as a highly successful program that is not far off some of the recommendations you make in dealing with sole-support parents. For members of the committee, Project 1000 identified 1,000 women who were on support. It put them in training programs and was very successful in getting them off of mother's allowance and government support and into the workforce.

Maybe Commissioner Vezina has to give us this, but through you, Rhoda, I wonder if you could tell me and the committee what's going on in that regard. Is Project 1000 still going? If so, do you have anything to report on it?

Mr Paul Vezina: Project 1000 is going on. We're still committed to the idea that sole-support parents should have a right to education and to employment as well as to child care, whatever supports they need to get back into the mainstream of society. That may require a period of time on a pension, but in our view seven-plus years is probably too long, and in effect probably traps them into a form of dependency where they come to rely on government as the surrogate spouse.

What we're really saying is that as sole-support parents come on the system, they should get their pension, but they should also be streamed into training and retraining programs fairly early on, so that as soon as possible they can get back into the system. We question the concept of a long-term pension for single parents as the ideal solution to self-sufficiency.

The Chair: I've got to go on to Mr Carr.

Mr Mahoney: Oh, really? That's all there is left?

The Chair: Yes.

Mr Carr: Thank you very much for your presentation. I think we finally are going to see changes. As you know, this government has talked about it, so you've got a socialist government saying it's going to make some changes. In the United States, you've got a Democratic president whose plan, if you've read it, as I have, has basically said after two years you will work or you'll work for the government. The issue, I think, is going to be addressed somewhere and it's being driven by financial—to go from \$2 to \$6.2 billion and now have one in nine people, I guess, approximately, on some form of social assistance, has driven that.

On page 2, I was interested in the talk about cohabitation. The situation as I understand it is that if you are a single mother and are living with somebody, you can get it, but if you were married, of course, you would not get social assistance. What happens is that they just don't declare that they're living with somebody. Even if you bring this in, people can very easily lie with that.

In Quebec, I guess Bill 37 essentially sends people to go around and knock on neighbours' doors and say, "Does Mary live with Joe?" or whatever. They've taken that action, and some of you may have seen it on *The Journal*; it got criticized, but that's what the Quebec provincial government is doing. Would you advocate going as far as Quebec has done to be able to enforce it, or how would you see it being enforced?

Mrs Begley: Our recommendation is one year. Once a couple live together for one year, we figure that at that point they know they want to live together. That's what our recommendation is; not to go around as Quebec is doing. Right now it's three years before we can make up our minds that they want to live together. One of our suggestions is that we look at it after one year. This should be time enough to realize whether you want to live with this person or not. That's when we then implement the three-year situation, at that point.

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Mr Carr: You may know that the auditor was very critical of the process of verification. I won't get into all the details but it was fairly critical. For example, for somebody coming in and saying, "No, I don't live with anybody," for a period of time and then still collecting, I'm still unclear how the enforcement will work, if somebody lies and there is nothing that can be done. How would you see it being enforced?

Mr Vezina: At the present time, the process is that at the time of application, the applicant must declare the cohabiting person. We note the date and from that point on, a three-year tick system is set in motion. What we are recommending here is that this be compressed to a one-year time frame, because if you think one year is going to be difficult, three years becomes very, very cumbersome.

Mr Carr: Sorry to interrupt, but if somebody does not say they are living with somebody, there really are no controls in place to check to make sure if they are.

Mr Vezina: There are some checks. There is no fool-proof mechanism, but if people are defined as man and wife in the community, if they share the same roof, if they take the same holidays together, if they drive the kids to school together or separately, there are indicators that indicate persons are living as a man and wife. We're looking for a commonsense, reasonable approach. The intent here is not to snoop. We have no intent to go in after hours. We're really saying that one year is sufficient time to determine whether a spousal relationship exists, instead of three, and with the three-year process, you're into a long-time, very costly process that really cannot be managed very well.

Mr Wiseman: I agree with a lot of the substance of what you're saying here, but there are the costs associated with doing this in terms of tuition fees for the single mom or single parent—it could be either way—the day care costs and expenses for travel, for clothes and so on, and also—how did you handle that problem with Project 1000? How did you do that, because we're finding that these costs and these factors are really inhibitors in moving ahead.

Mr Vezina: In fairness, the government does allow for these costs as part of retraining. It's really a question of accessing the costs and providing them to the recipient. Ultimately, it's a cost-benefit analysis. If it costs us \$2,500 for day care and another \$1,000 for books and tuition and clothing, but we can cut two years of family benefits on the pension, we have more than made the money, and in effect more than helped the person.

It's really a question of whether you're prepared to put money up front to allow the person to step up, rather than to stay on the pension. Those employment-related costs are available at the moment. They simply need to be accessed by administrations.

Mr Wiseman: I'd like to move to a topic that you didn't address, and that is what I call a "dead-beat parent," and in the United States they call it "dead-beat dads," who take off and don't support their kids at all. We've brought in some changes to that, but there's still a significant part of that population that finds ways of hiding their income. I'm wondering if you have any recommendations on that. I have a couple of ideas of my own, but you might be—they're so draconian.

Mr Mahoney: Are they legal?

Mr Wiseman: They're legal.

Mr Vezina: One of the recommendations here is that welfare is the only benefit of all the benefits, provincial and federal, that is not income-tax reportable. It's the only one. We're saying make it reportable, but the same logic applies to support payments. This government and previous governments have set in motion very expensive schemes to chase defaulting spouses, and I can assure you, American Express doesn't chase me; it meets me at the end of the month and the way to deal with defaulting spouses is through the income tax system. Don't even bother chasing them. Meet them at the end of the year. It's not hard.

The Chair: I'm sorry, Mr Wiseman. Time has run out. I'd like to thank you for appearing before this committee.

Have you circulated this to other municipalities, or only to this committee?

Mrs Begley: We saw the minister and we presented him with it, so he's aware of it.

Mr Mahoney: I should point out that a couple taking holidays together doesn't necessarily mean they're happily married. Sometimes the opposite is true.

Mr Vezina: I'll make a note of that.

CANADIANS FOR CONSTITUTIONAL MONEY

The Chair: The next group to come forward is the Canadians for Constitutional Money. Would you mind taking a seat up here at the presenters' table? There are four of you? Okay, fine. Settle in there and if you want a glass of water—how many glasses are there? One glass? You're going to have to share one glass?

We're going to have half an hour here. I don't look at that clock, up there; I've got my clock in front of me here winking time. Perhaps you wouldn't mind identifying yourselves for the purposes of Hansard.

Mr Andre R. Marentette: My name is Andre Marentette. I'm the chairman of Canadians for Constitutional Money. We are a non-partisan group promoting non-interest-bearing loans of government-created money.

Our presentation will be made today by the chairman of our economic advisers, Professor John H. Hotson from the University of Waterloo, Mr William Krehm, Toronto businessman and publisher of Economic Reform, which is a newsletter for COMER, the Committee on Monetary and Economic Reform, and Professor Harry Pope, who is the author of the textbook Economic Principles, and it's in its sixth edition. I'm going to let those gentlemen talk on this subject.

Mr John H. Hotson: I'm here today to talk about the deficit problems that the Ontario government shares with so many other governments, and what the sovereignty proposal that Canadians for Constitutional Money are putting forward in Canada is all about.

Deficit reduction is all the rage today, but what few of our would-be deficit cutters seem to consider is that cutting expenditures or raising taxes will make the current depression worse. The world did not end the Great Depression by balancing government budgets. The near-zero interest rates of the late 1930s, though helpful, could not induce sufficient private borrowing and spending to restore prosperity. This idea people have that a contractionary fiscal policy of cutting government spending and raising taxes will be more than offset by an expansionary monetary policy as we get interest rates down can work in a mild recession, but we've given ourselves a deep depression.

If we look back to what we learned and then forgot from the Great Depression, the Depression was ended only when central governments all over the world drafted their central banks and forced them to create a flood of new money to finance massive government deficits at near-zero interest rates. These massive deficits, upwards of 25% of GNP for several years, resulted in a great rise in private incomes and a great reduction in private indebtedness. It was this creative use of the powers of the central bank and the central government which made Canada, in a few years, an industrial power, and ushered in some 35 years of the greatest growth and the greatest employment levels in the history of capitalism; indeed, in the history of the world.

Tragically, the flood of new money that ended the Great Depression was created to finance the Second World War, not the peaceful public works which could at any time from 1929 on have ended the Depression without a war. We're in the same boat today. We're in this depression because the private sector has become massively over-indebted, and because the high interest rate policies of central banks only made matters worse. Canada will not get out of this depression until we force the Bank of Canada to adopt some version of the policies which financed the Second World War. Furthermore, basic reforms of banking and money creation must be enacted if we are to avoid yet another boom-bust cycle. That is the message I hope to get across today.

As I see it, the governments of Canada have broken three fundamental financial rules. These rules are:

(1) No sovereign government should ever, under any circumstances, borrow any money from any private bank.

(2) No Canadian federal, provincial or local government should borrow foreign money when there's excessive unemployment here.

(3) Governments, like businesses, should distinguish between capital and current expenditures, and when it is prudent to do so, finance capital improvements with money the government has created for itself.

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In the rest of the time I have, I'll speak mainly about this first point. Professor William Henry Pope will focus upon the second rule. Mr William Krehm will do the same for the third rule.

Now, COMER is a think tank. You have the handout, I believe. Have they got the handouts?

The Chair: Yes, we do.

Mr Hotson: Okay, fine. I'll skip over that statement of purpose, statement about why our financial system is unsustainable, why it needs basic reforms. Turn to the middle of page 3.

Bad monetary policy and bad monetary institutions have caused the depression crisis which now grips the world. But every crisis is also an opportunity. A most promising solution and action plan to end the depression has developed out of COMER's deliberations. This is the Sovereignty loan petition created by Mr Ken Bohnsack of Freeport, Illinois. The petition reads as follows:

"To promote the general welfare: we, the people, petition Congress to make interest-free loans of United States Treasury money to tax-supported bodies for voter-approved capital projects."

The Sovereignty loan petition has gathered an extremely impressive level of support in the US. Some 1,731 tax-supported bodies, plus the US Conference of Mayors, with 1,050 members representing cities and towns where 80 million Americans live, have passed resolutions supporting the Sovereignty loan petition. So we can be confident that the enabling legislation will be introduced into this session of the US Congress.

The Sovereignty loan plan has spread far beyond the United States. I had the pleasure, along with Mr Bob Blain, another professor, of travelling through New Zealand for five weeks, spreading the word about the Sovereignty loan petition. If I had more time I'd love to talk more about that. New Zealand was the only democratic country on earth to get out of the Great Depression before the war forced the monetary expansion which brought about the end of the Depression everywhere else. They did it in exactly the same way as the Sovereignty loan petition. So I was just telling them, "Go back to what you did and forget this 'new right' stuff that got you in such trouble."

The Canadian organization to promote this plan could not be called Sovereignty for obvious reasons having to do with Quebec separatism. That's a pity because Ontario's own Mackenzie King said it all. "Without government creation of money, talk of sovereignty and democracy is futile." Andre chose the name Canadians for Constitutional Money.

This name makes the fundamental point: A sovereign government like Canada reserves to itself the constitutional power to create legal money. Indeed, only government of Canada money is legal money or legal tender, just as it says on any Bank of Canada note. You pick it up and it says, "This note is legal tender." That's the only legal tender money we have.

The bank money that is so much more prevalent today is merely a promise to pay legal tender. That can work fine, but we've got a very top-heavy situation now where there's very little legal tender in the country, very little actually spendable—M1, they call it—and we're getting along with very high interest rates, very inefficient money substitutes, "funny moneys" including M2 and M3.

The Bank of Canada has all the powers already in the Bank of Canada Act necessary to carry out some Canadian version of the Sovereignty plan. I'll skip over the well-known passages of section 18 of the act.

By wise use of its powers from the day it opened its doors in 1935 through the end of the war in 1945, the Bank of Canada created almost 80% of the new money needed to end the Depression and win the war, if we define money as M1, and 75% of the money if we define it as M3, because M3, these "funny moneys," were not very important back then. I give the figures.

What a contrast to the most recent period. In 1945 the Bank of Canada's base money, or its legal tender, was 68% of M1 and 27% of M3. By 1992 it was still 64% of M1 but only 8% of M3, as M1, the transactions balances, had fallen from 40% of M3 to a mere 12%. It's because of the liquidity shortage which the bank has caused that interest rates have risen from their near zero level in 1945 to the 1980s peak of over 20% before falling to their present 6% or 8%, which is still too high for recovery.

I urge Ontario, the most powerful province in Confederation, to demand that the federal government exercise its constitutional powers and compel the Bank of Canada to create meaningful sums of money and lend these sums interest-free or at its wartime four tenths of 1% to 1% to provinces and local governments to pay for the new infrastructure programs, such as Toronto's new subway etc, that we need to deal with our unemployment and with our infrastructure, educational and environmental deficits.

Jack Biddell, FCA, in a soon-to-be-published book, proposes that Canada adopt an interesting variant of the Sovereignty loan plan. By his plan the federal government would have the Bank of Canada assume and eventually retire the present debts of the provinces, and in the future finance their deficits at nominal interest rates. Not only would this free the provinces of their financial straitjacket; it would give our presently alienated western provinces, as well as Quebec, a powerful incentive to remain in Confederation.

Now, would the return to full employment be inflationary? Not if it were properly handled. I totally agree with Jack Biddell, who is Ontario's representative on the federal Anti-Inflation Board, and later chairman of Ontario's Inflation Restraint Board that inflation should be handled by intelligent income policies, not by counterproductive interest rate hikes.

In this regard I've given to each of the party representatives a new and important paper by Ballard, Brox and myself entitled, "Monetary Policy Doesn't Work the Way It Used To: In Fact It Never Did." This paper demonstrates econometrically that interest hikes increase inflation and unemployment in the short run and have no long-run impact on anything. They're short-run pain for no gain.

I'll be presenting this paper at the University of Ottawa on Friday. I've written to Mr Crow at the Bank of Canada and his underlings, requesting a situation like this to present it to his economists, and the same thing at the Department of Finance. I haven't opened my mail with the university yet to see what's happened.

One final point, then I'll quit and turn it over to Harry Pope. While Ontario is waiting for Ottawa see the financial light, you need not sit on your hands. That the government of Ontario has had its own bank since 1921 is a well-kept secret. Why? I refer to the Province of Ontario Savings Office, which now has \$2.1 billion in deposits in 23 branches scattered throughout the province. It has 105,000 depositors owning \$1.4 billion in its Trillium chequing-savings accounts and some \$700 million in 40,000 GIC accounts.

All the money deposited in savings office is lent to the Ontario government and is its cheapest source of loan money, yet only 4% of the provincial debt is presently financed by the savings office. Why can't the Ontario government and its agencies move all its money to the savings office instead of banking with the private banks? Why doesn't the government of Ontario publicize the savings office instead of the lotteries, which are so destructive to people who get hooked on the hope of something for nothing? With that question I'll stop and turn the mike over to Harry Pope.

Mr William Henry Pope: The three-page paper we handed to you is called "Debt Crisis—or Opportunity?" Very fortunately, the C.D. Howe Institute gathered 19 so-called or self-styled experts together to look at our double debt situation: the federal and provincial government debts and deficits and, of course, our net international indebtedness. The headline was "Debt Crisis Looms, Study Warns." I go on in this paper to explain that the crisis will only occur if the Bank of Canada acts in the stupid way it's been acting all along and raises its rates of interest when the dollar drops.

I'll get down to the middle of the first page now. One of the workshop participants said, "Canada must borrow nearly \$30 billion annually [from foreigners]—in good times and bad—to finance a chronic current account shortfall." The same idiocy is repeated in the Financial Post and every other paper I've ever seen dealing with the subject.

The notion that Canada must borrow abroad to finance the current account deficit is to get it precisely backwards. Here I go on to quote Richard Lipsey. Professor Lipsey, who is in competition with—at least I'm in competition with him, to be a little less presumptuous. I quote him because he is our most pre-eminent academic economist and he did come to Ryerson just at the time my first edition was in print, or in page stage.

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He made a speech on the Canadian dollar and then he said halfway through it, "Now I'm going to tell you something that people always get backwards and make compete nonsense of themselves." I said, "My God, I made a schoolboy howler and the stuff that's already in print, I'll have to yank it." But then he went on to say this:

"We do not borrow abroad because we're importing more than we are exporting; on the contrary, we have a current account deficit (more imports than exports) because we are borrowing abroad."

That's when I felt very relieved, of course, and in the second and third, fourth and fifth editions of my book I quoted him directly without saying that he was a pre-eminent academic economist and textbook writer. I'm happy to quote him from a Ryerson speech:

"Without a current account deficit (more Canadian dollars supplied than demanded because of current account transactions) the importers of capital would be quite unable to effect their capital imports by turning their foreign currency into Canadian dollars."

The way it works, I'll explain. The inflow of foreign money on capital account or our foreign borrowing—the \$3 billion, for example, the government of Ontario borrowed abroad earlier this year—increases the demand for the Canadian dollar. Anything that increases the demand for something pushes up its price and in proportion lowers the price of foreign currencies to Canadians. This is why Canadians wish to increase their imports, and to do so exchange their Canadian dollars for the now cheaper foreign currencies that came in on the capital account. At the same time, the increased price of the Canadian dollar discourages foreigners from buying our exports. Thus, the capital account surplus causes the current account deficit.

As I wrote a couple of years ago in *Policy Options*, nothing could be better for Canada than that foreigners should take out every bloody cent they ever lent us and then the dollar would drop, and that's the best thing that could happen to Canada. Of course, it would make it more costly to go abroad and imports would increase in price, but that's something that's just in the system. We can't overcome that. We've been so unproductive for so many years because of the high rate of interest, the sooner the dollar drops the better.

When I wrote the first edition 12, 15 years ago, I talked about the advantages of having an 85-cents dollar. In the second edition I'd talk about an 80-cents dollar, then 75. Every three years I would drop it by five cents, because the longer we have the high dollar and encourage these imports of foreign capital, supposedly for investment—not a bloody cent is invested in Canada. They buy our bonds. They are foreign savers who buy our bonds because they're worth more and they pay a higher rate of interest than their bonds.

Investors are the Canadians who don't borrow Canadian money because it's too expensive. At 6% rate of interest even now, or 7% or 6.5% prime rate, it's a real rate of interest of about 5%, which is about double the long-term average, so we have very low investment, and very low investment means we're very unproductive, and being

very unproductive, we've become less and less able to export and more and more desirous of importing and therefore the current account deficit gets worse and worse. But it's caused entirely by the foreign borrowing, which has a double whammy of high rates of interest where foreigners want to buy our bonds and the high rates of interest leads to our discouraging real investment.

Finally, I do mention here wage and price freeze, and I do know that this is not favourable to the NDP because the last time we had a wage and price freeze, as we well know, it hit labour much harder than anybody else. It should have been brought in three or four years earlier when profits were soaring, not brought in when labour was trying to catch up—in fact likely more than caught up—and therefore we had the freeze.

I also—I don't like putting this "also" because my wife reads what I write and she is a direct descendant of Genghis Khan. As such, she has no use for any government interference in the economy and therefore she's opposed to wage and price freezes also; just to let you know that it's not only the NDP that's opposed to wage and price freezes and labour generally for perfectly good reasons.

Anyway, if we no longer borrow abroad, you might say, "Then what about the \$50 billion annually that the governments of Canada are borrowing? With \$30 billion of that no longer got from foreigners, who will lend it?" The point is, when our governments borrow abroad, they do so because rates of interest are lower there. This is precisely why Ontario borrowed \$3 billion abroad earlier this year, because of our central bank's high interest rate policy precisely designed to encourage our borrowing abroad. The Bank of Canada wants to keep the dollar as high as possible just because it looks good—for no other reasons.

But our governments do not wish to spend the foreign money they have borrowed. Accordingly, they exchange it for Canadian dollars with Canadians who wish to import, and they wish to import because the dollar is too high and there are foreign currencies that are too low and therefore it pays to import. Thus, cutting off the inflow of foreign loans will not change the amount of Canadian dollars available in Canada.

But instead of being directed to imports, after being exchanged for the foreign money borrowed by our governments, these \$30 billion of Canadian dollars will now go to buying Canadian production, and \$30 billion more goods and services at \$100,000 a job—taking in the profit and everything else, \$100,000 is about what a job costs—comes to 300,000 jobs. Add in the spinoffs and unemployment is down well below a million for the first time since 1981. That's how you get full employment, by letting the dollar drop.

These sharp reductions in unemployment will sharply reduce unemployment insurance and welfare payments, and sharply increase the incomes of half a million and more Canadians who will now be paying far more in income and sales taxes. This all leads then to the government deficits of all our governments maybe being cut in half.

But it would be naïve to suggest that we can get to this far better world instantaneously. There will be a lag before Canadian savings increase enough to fund fully—naturally

with higher incomes, there are more savings available for buying government bonds by Canadians in Canada. There would be a lag before Canadian savings increase enough to fully fund the government deficits remaining, even as the economy improves, because of the complete cutting off of the annual \$30 billion of foreign loans.

You must get this idea that these foreign loans are a disaster for Canada. All this foreign money can only be used to buy foreign goods and services and pay interest and dividends on our past borrowings.

The workshop participants were correct in saying that this would then lead to some people saying: "Let's monetize the deficit. Let's have the Bank of Canada buy these bonds." Well, that is fine and I agree with that, but at the same time as the Bank of Canada buys the bonds, it must raise the reserve ratio. The reserve ratio now is being done away with entirely. It's under 4%, which means that if \$100 of new money is created by the Bank of Canada by buying a government bond directly, that goes into a bank account. The bank then lends out \$96. That goes into another bank which lends out 96% over \$96, so that finally the money supply increases by \$2,500 because of an initial increase of \$100 by the Bank of Canada.

Raise the reserve ratio as high as you like, to 50%. I'd go all the way to 100%, actually, but 30% to 50% so that the monetary multiplier instead of being 25, becomes 2.

As John Hotson was saying, every time the government of Canada wants to borrow money, it should borrow from the central bank, but it can only do that without it being inflationary if the private banks are prevented from increasing the money supply, as they've done in the past, by lending money on a very low reserve ratio.

Now I do agree that the advocacy of a considerably lower-priced Canadian dollar cannot sit well with provinces, such as Ontario, that have borrowed abroad in foreign currency denominated bonds, but there's no way around it. The fact that the Bank of Canada deliberately induced the provinces to borrow abroad to support the Canadian dollar, as the stupid expression is, is beside the point. The longer we encourage an inflow of foreign savings, the greater will be the eventual fall in the dollar's external price, and the greater will be the foreign exchange losses of the provinces.

What the government of Canada must do is order the Bank of Canada to increase the money supply to bring down short-term rates of interest to about 3%. That, of course, will then lead to Governor John Crow's immediate resignation, which is a very important subsidiary benefit, and then a new governor is appointed who has a few brains and we'll get back to the best of all possible worlds.

It's going to happen eventually. We have a monetary crisis which will come about when the foreigners say, "You've overdrawn and we're not going to lend you any more," and then the dollar will drop, and then with Governor Crow or anyone else in the Bank of Canada at present, will raise rates of interest by 20%, 30%, 500% maybe, like Sweden did, and then we'll have a crisis. It would completely wipe out all real productive investment in Canada. We'd be in a complete bloody mess. The way to overcome it is to tell the bank to increase the money supply now to bring it down. Then, of course, foreigners start taking their

money out and the dollar will drop maybe to 50 cents. The longer we put it off, of course, the farther it's going to drop.

My recommendation to the provinces—and as you are a province, of course, that's what interests you; you are not the one that's going to tell the Bank of Canada what to do—is simply to try to convert your foreign-pay bonds to Canadian-pay bonds while there's still time. You borrowed abroad because the rates of interest were lower, which is what the Bank of Canada wanted you to do. What you must do, though, as fast as you can, is try to convert your bonds to longer terms, to increase the maturity for 10 or 20 years, because if within the next couple of years the foreigners quit lending us their money and the dollar crashes, that will over time then greatly increase our productivity.

You'll then have rates of interest down to 3%, still having this foreign money coming in to boost our dollar at competitive levels, and then after the smoke is cleared, you can then start increasing our productivity, increasing real investment in Canada and then the dollar will start to rise as we start increasing our exports and cutting our imports. We'll get back to the sensible world, but I would say it'll take about five or 10 years.

The solution for the province is that during this time you still have, maybe a year, maybe two, maybe three, before the dollar crashes, is to try and convert your foreign-pay bonds to as long a maturity as possible or convert them to Canadian-pay bonds, which means you pay a higher rate of interest but you take a much smaller foreign exchange loss. It's better to be paying 6% or 7% in Canada now and have the dollar drop 20%, which means you've got to pay 20% more to the foreigners when you pay them back in their own money.

1600

Mr William Krehm: For the last almost five years, we have been distributing among you and among other legislatures across the country our monthly newsletter, which is Economic Reform. I trust that some of you read it. Those who do will remember that we have been advocating a program of infrastructural renewal as a way of getting the country out of the depression. Your government, our government, has now adopted one and on that we congratulate it. However, the framework for such a program to succeed has not been defined.

For example, the distinction between capital spending and current spending is completely ignored in the accountancy of the Ontario government and of the federal government and of most of the provinces. When any of these governments puts up a building, buys land, it is treated in exactly the same way as when it buys floor wax for the Legislative Building. It is entered on its assets at the token \$1.

The Auditor General of Canada recommended that a capital budget be introduced years ago. The United Nations has made the same recommendation internationally, but nothing has been done about it. Why would there be so much resistance to introducing the elements of accountancy into government affairs? If you tried running a private corporation on that basis, it would be bankrupt from day one; it couldn't raise one dollar of capital. The answer is that too many people have been engaged in playing

political games with the issue. That's not the only issue, that ideological games have been played with; the other is the deficit. The deficit is not due to the lack of savings. The deficit is basically due to the high interest rates imposed by the Bank of Canada in order to suppress upward price movement that it did not even take the trouble to try to understand.

The Depression of the 1930s and its financing was ended, and the financing of the Second World War was successfully undertaken, by the central bank making available its money-creating powers to the government. Professor Hotson has dealt with that, but there is no reference to that in the public press at all. It is a suppressed chapter of our history. Now, our history is an asset. It's for nobody to tinker with, neither those on the right nor those on the left. You will find the provisions that make possible the creation of money for the government at a token rate of interest still in the Bank of Canada, rather like a dinosaur's tooth, remarkable not only for the fact that it's big, but that it hasn't been put to any use to chewing for eons.

That article allows the Bank of Canada to discount paper, to borrow against debt guaranteed by the provinces or the federal government. Would that not be inflationary? That depends entirely on what is happening in the real economy. If there are unemployed workers, if there is unemployed industrial capacity, it is not inflationary. If on the other hand, there were no excess productive capacity, it might be inflationary. I believe that there is a bit of excess capacity, both in manpower and industrial plant at the moment.

There was enough patriotism among the political leaders of this country in 1939, when the war broke out, for them to rise above their inherited prejudices. I don't wish to believe that there isn't that amount of patriotism around among our political leaders today.

The logical way of financing the Ontario government's project would have been for the Bank of Canada to use this article 18 to create money to discount, to lend money to the Ontario government directly. That would have been non-inflationary. It would have been anti-inflationary because interest rates, and certainly the tremendous interest rates we have witnessed at times in the last decade, would have been left out of the reckoning, eliminated from the reckoning.

You will say, "What's this got to do with the Ontario government?" The answer is that the political process should be an ongoing educational experience. It's not enough to have things done to you; you must ask why, and the simplest question you can ask, in these days when there is so much heat about Dieppe, is how did this government manage to fight a victorious war? How did it finance it? You'll find no reference to that in the press.

The Globe and Mail, which hit it right on this occasion, I'm afraid, referred to the Rae government's project as "donning blue Tory clothes." Our Premier would have made a far better impression, even though he could not do anything about it, to state the facts of the case that this sort of financing of the very excellent program that has been proposed would be better done with the full support of the Bank of Canada, and if he had been turned down, and of course he would be turned down, the responsibility would

be on other heads. I say this not in any vindictive sense, but that would be part of the educational process we will either undergo or come to ruin.

It's long been the practice of all Ontario governments, be they Tory, Liberal or NDP, after your budget comes down, to send a civil servant to Boston to explain to the bond-rating people that this is really not deficit because this is really a capital investment, and the bond-rating people wag their heads the right way much of the time. But why in the name of the Lord should the people of this province not be given the information that goes to the bond-rating people in Boston? These are questions that would adorn your presentation of your infrastructural program.

1610

But the government seems to have adopted another course. It has announced that it is setting up three crown corporations to take care of the collaboration with the private sector in financing and carrying out the infrastructures in question.

Now crown corporations, like all corporations, non-profit ones, private ones, public ones, are very prone to empire building. Could it be that—

The Chair: Mr Krehm, I hate to interrupt, but we're 35 minutes now. Some of the members have had to leave for appointments at 4 o'clock. Mr Kwinter's got an appointment very shortly.

Mr Krehm: Good.

The Chair: If you could just sum it up, and if you see some members leaving, that's the reason why, because we're scheduled for 4 o'clock.

Mr Krehm: Yes. You have it all in this.

The Chair: Okay.

Mr Krehm: I will just read—

The Chair: But what I would like though is, some of the members would like to ask some questions, so taking a look at my committee here, whether you want to go an extra five minutes for each caucus. Agreed? Okay. Can you just sum it up in a minute or two and I'll put Mr Kwinter on?

Mr Krehm: Oh, yes, I think so.

I want to quote from Colin Vaughan's *Globe and Mail* column:

"Top priority (of five new transit lines for Metro announced) was given to a northward extension of the Scarborough light rapid transit line. I've always heard that a new line on Sheppard Avenue was the top priority with a line on Eglinton Avenue a close second. Could it be that a partnership between land developer—the name's irrelevant—"and Bombardier had offered \$25 million to help finance the line to service a land holding north of Highway 401? And there's the danger. Those with cash up front will be able to buy the transit and toll roads or sewers to service—and add value—to whatever development happens to be on the books at the time. To hell with planning priorities."

Now that is a real danger, going to private market, allowing the private market to drive these infrastructural things. Collaboration with the private sector is fine. The fact is that with a capital budget, the government would

have prior knowledge of infrastructures that go through. It could option strategic sites—not all—and then deal with private investors on a lease basis, but they would have control.

Now there's another aspect to that. One of the things that fuel speculation is the jump in land values which, to a large extent, are the spillover from government investments. It's not recognized in the accountancy, but on the other hand that spillover creates the overheated land markets. It undermines financial institutions because they like nothing better than to finance takeovers in land etc.

If the government played its hand not anti-private sector, but seeking out a new basis for collaboration with the private sector, it could take this inflammatory, speculative factor out of our price structure, at the same time that capital gains or some of the capital gains that are earned from this spillover could be used to detax the economy, not completely but to have a supplementary source of revenue.

In short, you stand at a time when you should consider all alternatives. Don't be taken in by the fact that the public sector can do no good and the private sector can do no bad. They're both capable of good and bad. The question is to try to squeeze out ideology and examine new productive ways of collaboration between the two sectors. Thank you, Mr Chairman.

The Chair: Mr Kwinter.

Mr Kwinter: Thank you. As a reader of your monthly newsletter, and I admit that I read it—I get it and I'm interested in reading it—I have a question. The material that you've presented to us today is so far-reaching, we could spend the whole afternoon talking about it, but something sort of nags at me all the time when I hear presentations like this. When I take a look at the members of your Canadians for Constitutional Money, you all have impressive credentials. You're not wide-eyed radicals; you're in the mainstream of what is happening. Maybe you could explain to me why governments and banks are not adopting these principles.

Mr Krehm: Because governments and banks don't do any rethinking unless they're in a desperate crisis. Moreover, there is a lot of money that rides in high interest rates. Don't you kid yourself. There are people who did well even during the 1930s because those who had money, some money, lived the life of Riley. Why is this not even reported? Some of this may be a new wrinkle on our part, but basically this is the sort of suggestion that went on during the 1930s and part of it was adopted by Roosevelt, but most of it waited until the Second World War.

Mr Hotson: I could just add a little to that, that it's sort of a standard rule of economists that regulatory agencies tend to become captives of the interests that they're supposed to regulate. All too often you set up a public utility board—at least Americans are always doing that to regulate—a public utility has natural monopoly power and then we figure out how that's handled and, after a while, the regulator will become a person who will see everything from the point of view the regulated industry.

The banking system's no exception to that. The first governor of the Bank of Canada, Graham Towers, did a

brilliant job, this 80% of all the money created in Canada year after year being created efficiently, responsibly, at very low cost because the central bank was run by a man who saw his duty to the country, to the survival of western civilization and did all that. But over the decades, in a very subtle way—I'm not talking about bribery of \$20 bills in a bag or anything like that—the banking industry has seen to it that the governor of the Bank of Canada would be a man who feels that what's good for the banks is what's good for Canada. That's really all there is to it, I think, but that's a lot.

Mr Pope: A year ago in Policy Options I wrote a so-called review called "The Renationalization of Money." It's not a review really; it's a synopsis of a book by Bill Hixson, one of our colleagues, a fellow from Kentucky, which in fact does explain—the synopsis does it shortly, of course; his book does it in somewhat greater length—how we've moved away from the creation of money by the sovereign, by the government to 96% or almost 100% of the money being created by the private banks. It all came about really because of the setting up of the Bank of England almost 300 years ago. That was set up because Nell Gwyn and Charles II together had bankrupted the regional bankers, the goldsmiths.

Now what we are in fact recommending is a return to what existed before Nell Gwyn got Charles II to spend too much money. Of course, to reverse 300 years of financial history is quite an undertaking and very much contrary to the interests of the financial interests who make money on money. We're suggesting that the money that's to be made on money, the seigniorage, should be taken by the sovereign, by the government.

If we're going to create \$100 billion a year, as we are doing in Canada, of M3, why should that not be created directly by the central bank? That would allow the federal government then and the provinces to have deficits of that order absolutely cost-free without inflation, provided that the commercial banks don't create any more money. But that of course is absolutely contrary to what Bay Street wants and Wall Street and every other street with financiers on it.

The Acting Chair (Mr Waters): Mr Carr. And can I ask you gentlemen, when you're speaking, to sit forward because Hansard has a problem picking up when you lean back in your chair?

Mr Pope: Sorry.

The Acting Chair: As I just did.

1620

Mr Carr: Thank you very much. I, like Mr Kwinter, would love to spend a lot of time getting into a lot of areas, but I just want to ask one very simple question as it relates to what we're doing here. As you know, we will do a report to the now Minister of Finance—they changed it from Treasurer—for the province of Ontario. If you could sort of sum it up very quickly, if you were the Treasurer—and I see you're all looking, who wants to jump in here?—but if you were the Treasurer, what should this committee be recommending that he do?

Mr Krehm: I would invite, if I were Treasurer or a member of Parliament, dialogue on alternative ways, which are so obviously necessary, of financing the social problems. That has nothing to do with waste; waste is another problem. Then I would ask the question that Mr Kwinter asked: Why are these things not discussed? What happened? How did we finance the war? That is certainly not an unpatriotic question. Start there.

The need for a capital budget is certainly clear. It's being spoken about in Washington. It's a quarter of a century since I began talking about that. Nobody listened. Now it's getting in the air. It's got to get into the air. So we might as well initiate dialogue. That's all you have to do. There are alternatives, there were alternatives.

Mr Carr: Thank you very much.

The Acting Chair: Mr Wiseman.

Mr Wiseman: Thank you. I'm wondering, we changed the budget reporting a little while ago, and I think it's about almost a year ago, where we were showing capital as a separate item, but it was in the budget itself. Is that not sufficient?

Mr Krehm: Well, there is no capital budget. As far as I know, I may be wrong and please correct me. We've discussed this with civil servants of the Ontario treasury from time to time, the last time about a year ago. They all know that there is no capital budget; they all know it should be.

Mr Wiseman: You're saying that there should be one—

Mr Krehm: I mean, it could be that some of the leaders of the government said, "Look, this, this and this are really capital items," but that's not enough. Because if you have a capital budget, you would show only the interest payments on the debt, plus the depreciation as a current expense. The rest would be on capital account and it does make a difference, because this business of the deficit is being used as a pile-driver to hit on the head any social program that those in charge don't like. I don't mean in charge of the Ontario government; I mean of the Bank of Canada more specifically.

Mr Wiseman: Can I explore something with you that I find interesting, and that is your Province of Ontario Savings Office recommendation. I would like to see something a little bit fleshed out. If I understand what you've written and what you've said correctly, what you're suggesting we do is to beef up the Province of Ontario Savings Office, have the general public deposit their money there, but the province of Ontario use that as its main vehicle of transactions so that the multiplier effect, or the reserve ratio increases, can then be used by the province of Ontario to continue increasing the wealth and the circulation of dollars within the province or the circulation of money-making in the province.

Mr Krehm: It was actually Professor Hotson who raised the matter. I don't know whether the province's bank would have the money-creating power, but you would certainly get the use of the savings of private citizens more economically.

Mr Hotson: I'm no expert on what the savings office is doing right now. I suspect that it doesn't leverage the money it gets the way a bank would, but just lends back to the government.

Mr Wiseman: In some communities it acts as a cashier of cheques.

Mr Hotson: Any near-bank or bank that allows people to write cheques against their deposits is in the money-creating business, because the people who made the deposit still have the money; they're still writing cheques against it, circulating it. They're never told, "Hey, you can't write any more cheques because we've lent your money to somebody else," and the money they've lent to others is created money. That's the essence of a fraction reserve banking. Once we change the credit union and savings and loan laws to allow them to have chequing accounts, they become banks.

I am just saying that the province of Ontario has a bank that it's tremendously underutilizing. I'm not saying it will solve all your problems, I don't think it would. But I think that since that is the lowest-cost source of funds and since the province of Ontario is giving the people who deposit in that an absolutely safe money supply—you see, the government has made the private banks' money safe to deposit insurance and now it's all over the world regretting it's done that to the massive failures of the financial systems.

I was very interested to learn that Franklin Roosevelt was utterly opposed to deposit insurance, but the US Congress forced it on him. He said, "You subsidize bad banks, you'll just get more bad banks," and that's exactly what happened. The moral hazard problem became very severe. Well, we need a safe money supply. This particular institution that Ontario set up in 1921 provides one. This should be an expanding business, supplying what's needed. Instead of the very morally questionable lotteries that everybody's pushing now and Lottario and so, where some people become—they destroy their lives, they mortgage their houses and so on—this is a much cleaner source of finance that should be expanded.

The Chair: Gentlemen, I've got to say, we've run out of time, about five times. Maybe some members of the committee, if you don't mind staying for a few minutes, have got a few questions just to ask of you. I wouldn't mind taking a look at your book, sir, that you've published—the sixth edition?

Mr Pope: Well, actually, they unfortunately have the fourth edition there. He didn't buy the fifth edition.

Mr Marentette: Can't keep track.

The Chair: Okay, fine. I'm going to adjourn the committee meeting now and we'll meet at 10 o'clock tomorrow morning in this room 228. Thank you.

The committee adjourned at 1627.

Substitutions present / Membres remplaçants présents:

Akande, Zanana L. (St Andrew-St Patrick ND) for Mr Christopherson

Arnott, Ted (Wellington PC) for Mr Sterling

Conway, Sean G. (Renfrew North/-Nord L) for Mrs Caplan

Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson

Harrington, Margaret H. (Niagara Falls ND) for Mr Jamison

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Mr Sutherland

MacKinnon, Ellen (Lambton ND) for Mr Ward

Waters, Daniel (Muskoka-Georgian Bay ND) for Ms Ward

Also taking part / Autres participants et participantes:

Callahan, Robert V. (Brampton South/-Sud L)

Mahoney, Steven W. (Mississauga West/-Ouest L)

Marland, Margaret (Mississauga South/-Sud PC)

McGuinty, Dalton (Ottawa South/-Sud L)

Sola, John (Mississauga East/-Est L)

Clerk / Greffière: Grannum, Tonia

Staff / Personnel: Campbell, Elaine, research officer, Legislative Research Service

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William Krehm, representative	

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Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 25 February 1993

The committee met at 1005 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): Good morning. This is the standing committee on finance and economic affairs, hearing pre-budget consultations.

ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

The Chair: I'd like to welcome the first group, the Ontario Flue-Cured Tobacco Growers' Marketing Board. Would you identify yourselves for the purposes of Hansard and members of this committee? We have one half-hour. You may begin.

Mr Albert Bouw: I'm Albert Bouw, chairman of the Ontario Tobacco Board.

Mr George Gilvesy: I'm George Gilvesy, vice-chairman of the Ontario Tobacco Board.

The Chair: Please leave some time at the end of your presentation for questions from the committee members.

Mr Bouw: First, thank you very much for giving us the opportunity this morning, ladies and gentlemen. We appreciate the opportunity any time we can to talk about the plight of the tobacco industry, especially in front of people who have to do with finances. We have a short presentation we'd like to make, and then there will certainly be lots of opportunity for questions, if there are going to be any. So if I may, I'll just proceed and go through the document we have.

We anticipate that in the near future, your Treasurer will be presenting a budget for the 1994 fiscal year. At this time, we would like to express our concern on behalf of our producers, as well as many thousands of farm families who depend on our industry for their livelihood. The communities in which we live, comprising some 300,000 people, are heavily impacted by the tobacco industry. When we talk about 300,000 people, we're basically talking about the four major counties where the tobacco is produced, being Elgin, Norfolk, Brant and Oxford.

Direct farm-gate sales in Ontario for 1992 will approach \$277 million. From this farm-gate base, exports of unmanufactured and value added products in 1992 will reach an estimated \$400 million, bringing very valuable business into Ontario. If we apply an 8.5-times economic multiplier, the spinoff effect of the tobacco growing industry approaches \$2.35 billion. In aggregate, tobacco production provides very substantial and important numbers to the province of Ontario as well as to our communities, in spite of our current economic plight.

As I said previously, talking about the 300,000 people in mainly those four counties, those numbers are pretty significant in terms of economic impact to those communities. I think the present government has already agreed to

do an economic impact study on our particular area. I understand that's been approved; I don't believe it has yet started. One thing we would say on that, if we might, is that before the government makes any further decisions on anything about our particular industry, that study should be started and carried out. I think it's going to be very revealing, that any further negative impact on our industry would distort that to even a greater extent. Our understanding is that there has been agreement to go ahead with that study, but I believe it has not yet started. I also understand that the study will be broad, and in terms of the membership on the study, it will be people from the particular areas who can give direct input into it, as well as both levels of government, I'm told—the federal and provincial will be involved in it—and a panel of about 20 to 25 people. We're looking forward to that starting. We spoke with Norm Jamison earlier this morning about that particular issue, and he advised me that it still had not commenced. Again, until that's completed, I think it would just distort things even more if there was further taxation or further legislation before that's completed.

To continue, there's a little background on the numbers I've related from Peat Marwick Stevenson and Kellogg; there are backup statistics at the back of the brief that you could probably read at your leisure at a later time. But to give you a few of the highlights, Canadian consumer expenditures on tobacco products totalled \$10 billion, or \$3.86 billion in the province of Ontario. These are 1991 numbers, by the way; that study is now being updated. Tobacco taxes collected totalled \$7.1 billion for the country, and for the province of Ontario \$1.255 billion. Employment generated by the industry was 57,500 person-years in Canada, and 27,420 for the province of Ontario.

When we look at tobacco taxes in this province versus some of our neighbouring US states—again, there's a schedule attached at the back for all the states and Ontario—taxes in Ontario on a package of 25 is \$4.38, versus Michigan at 89 cents, New York state at \$1.11 and Kentucky at 55 cents.

From April 1, 1989, to April 1, 1992, federal and Ontario taxes on a pack of cigarettes increased 104%, while the consumer price index increased only 14% during that same period.

Governments have created a situation similar to prohibition, with approximately 80% of Canada's population living within 100 miles of the US border. As well, Canada has signed a free trade agreement with the US, with the intent to harmonize economic activity and to reduce tariffs on goods moving across the border. The exorbitant tax increases imposed in the spring of 1991 by the federal government of 83 cents a pack and the Ontario government of 45 cents a pack caused many consumers to seek

alternative sources of supply, and they found these in many ways:

- Contraband products smuggled into Canada by organized crime. I think we all are starting to realize that that is very well organized, that the structure is there.

- Illegal trade on Canadian native Indian reserves; a very big issue.

- A prohibition-style response by the population to tax policies.

- Increased thefts of cigarettes from variety stores, trucks and so on. I think we're seeing in the media every day now that store owners are being held up. A lot of times now they don't take the cash; they take the cigarettes. It's more profitable. Store owners are having to put bars in front of their windows and install alarm systems. They're getting very nervous to be storekeepers. There's obviously a cost to all those things as well, because every time there's one of those robberies, particularly for tobacco products, law enforcement officers are called, and there's a cost to the community. So when we talk about economic impact, it's more than looking at the direct effect on the grower or the effect on one or two supply industries. It goes much further than that, to the cost of law enforcement, the cost of the judicial system.

- The sale of raw leaf products, particularly in Quebec, and this trend is spreading to Ontario. You may or may not be aware that in the province of Quebec it is legal, because of the tax system there, to sell tobacco in the raw form. In every store in the province of Quebec, it's readily available. It was not a major issue until about two years ago. Now that tobacco's being either bought off our markets—and some of that is happening: It's being directly purchased off our markets.

We have recently offered a reward of \$10,000, because unfortunately, although our farmers are very honest and honourable people, sometimes greed does set in. People from out of the province are coming to our farmers, knocking on their doors and saying, "I'm prepared to offer you \$3 or \$4 a pound for your tobacco," versus receiving between \$1.50 and \$2 a pound for that same tobacco at auction. So the opportunity all of a sudden arises. It is illegal to do that in the province of Ontario: to sell tobacco other than through our exchanges. We will be finishing our market on Monday. By all our surveys for this year's crop, we are coming significantly short of what the crop size should have been. We can only attribute it to one area, and that is the area that's being sold out of the province.

To backtrack, the surveys that we ourselves do and that the companies do—as a matter of fact, we had a Price Waterhouse capacity study done recently. That also supported the numbers we had in terms of how much tobacco should have been there this year; it's not there. It's left the province, basically for this illegal trade.

The Chair: Al, can I ask one thing? Can you grow your own tobacco here in Ontario?

Mr Bouw: It's an issue we're now dealing with. Federally, under the excise, you can grow 15 kilos for your own use per adult. Provincially, you need a licence from our organization, and we operate under the authority of the

Ontario Farm Products Marketing Commission. Provincially, you need a licence from our organization and need to hold quota. So now there's a tussle between the RCMP and the OPP on who's who and who's right. We've now followed that further, as a matter of fact through the Farm Products Marketing Commission. They've taken it to legal, because we're getting so many inquiries about that particular issue that we need to get a definite answer. But technically you need a licence to produce a plant of tobacco in your garden, which can only be issued by our organization.

Also on that, we have been working with the RCMP the last several months. Yes, they have made some arrests, but it's basically people that are making their own cigarettes. That's important as well, but that's like somebody making their own soup at home. It's an issue and it's growing and we should be aware of it, but the real culprit, if I could use that word, is the supply of the product. That's why we put up the \$10,000 reward: to try to apprehend the people that are actually supplying the product.

You probably saw lately on most of the media that one 50-pound bale of tobacco is worth \$100 to George and me as growers, but to the guy who gets hold of that same bale of tobacco, it's now worth \$1,500 after he gets done with it: He cuts it up into strips of tobacco and sells it in 200-gram packages and is doing quite well.

Gentlemen, on that issue, it's very serious in the province of Quebec. As a matter of fact, in Quebec—I'll come to that in a minute—40% of its sales are now illegal tobacco. It's not quite as bad in Ontario yet, but it's coming.

Just to continue, a recent study conducted by Lindquist Avey Macdonald Baskerville calculated that one in nine packs of cigarettes smoked in Canada in 1991 were smuggled. One in 10 of these smuggled packs was foreign; in other words, US brands, or now we're even getting brands coming out of the UK. Table 4 of this study identifies the total contraband tobacco market. I won't go through the numbers, but you can certainly see from the 1986 billions of sticks and the dollars to the 1991 billions of sticks and the dollars. It's pretty staggering.

The huge increase in 1991 was a direct result of exorbitant 1991 tax increases. According to this study, the loss of tax revenues to the federal government was \$549 million in 1991 and the loss of tax revenues to the provinces amounted to \$494.9 million. As I was saying before, right now the province of Quebec's revenue on tobacco products is down \$350 million. As I said, 40% of the market there now is illegal product, and that's growing, and it's starting to happen here.

1020

In conclusion, the current tax structure is a windfall to organized crime. It is causing Canadian product produced by Ontario farmers to be potentially replaced by foreign products. We have a real problem with that particular issue as growers of the product. I think we all have to accept the fact that Canadians are going to smoke. They may all have to do it outside on the step if they're going to smoke, because they can't do it in a building anywhere, but if they are going to continue to smoke, we want that to be Canadian product, the product we grow, not product that's grown by our competition somewhere else in the world.

And that's starting to happen. For example, 555 is a BAT product out of the UK; I'm sure any of you who are smokers have probably seen that product already. Also, another one called Putters is now on the market very strongly; it's made on the St Regis Indian reserve. They're making their own cigarettes now and distributing it for about \$22 a carton. There are others; I'm just citing a couple. Again, that takes away from the product we grow.

Because of regressive taxation policies on tobacco products, organized crime has stepped in to capitalize on the tax differential between Canada and the US. Federal and provincial politicians and law enforcement agencies are unable or unwilling to deal with resultant criminal activities, and as such, appear to be condoning the smuggling trade. When we talk about unwilling, we have seen some documentation to that effect, because they're simply afraid. On some of these reserves, apparently things can get quite heated.

The Lindquist Avey Macdonald Baskerville report specifically states that the RCMP has admitted it cannot control this problem. In addition, punitive taxation measures have made it socially acceptable for otherwise law-abiding citizens to illegally take advantage of the tax-free status of tobacco products on native Indian reserves.

The direct results of Canadian tobacco policies are:

- Increase of thefts and robberies at variety stores.
- Increase in cost of policing.
- Involvement of motorcycle gangs in Quebec and the potential for violence and harassment. Again, you might have seen a news program this week in which motorcycle gangs in the province of Quebec are physically threatening those producers. The producers are buying guard dogs and rifles to protect and arm themselves. For example, our counterpart association in the province of Quebec last summer was broken into, and the secretary, the only person there on that particular day, was pinned up against the wall by these people, demanding the list of producers in that province so they would know where they were all located. That's the level this is getting to.
- Illegal movement of tobacco. We've discussed that.
- Increase in cross-border shopping.
- Loss of agriculture production jobs. In spite of some people's comments we may have heard recently about that particular issue, if you were to come at harvest time to Tillsonburg and Simcoe and Delhi and all the little communities in between, you'd see thousands of high school students and university students working in those tobacco fields so they can pay for their educations. The gentleman who made some comments last week—I think he really doesn't know what he's talking about.
- Loss of manufacturing jobs.
- A dramatic increase in smuggling, especially on native reservations, where profits are invested in weapons, planes and high-speed boats.
- Embarrassment to our governments from an international perspective because of the ineffectiveness of law enforcement agencies to deal with the smuggling problem.

Was this the intent of government implementation of tobacco taxation policy?

There is a solution. The only real solution to the multitude of problems caused by oppressive tax policies in Canada is to harmonize the Canadian tax rates with those of our immediate neighbours to the south. As long as there is a difference of \$3.25 to \$3.50 per pack, the problem will continue. It is unrealistic to believe that New York, Michigan and Kentucky would increase their taxes to taxation levels of Ontario. The only solution is a rollback of taxes in Ontario.

In conclusion, we would like to thank the committee for its recognition of these problems by introducing no new tobacco taxes in last year's budget. It is imperative that taxes be rolled back to prevent further escalation of contraband products, which erode the financial contribution to the economy of those legally involved in the tobacco industry.

The Chair: Thank you. You didn't bring any bumper stickers for the members here. Mr Sola.

Mr John Sola (Mississauga East): I'm interested in this fantastic increase in lost federal revenues from 1990 to 1991. When you take a look at the number of sticks, it's five-fold, but when you look at the monetary value, it's eight-fold. I'm wondering what the federal projections were of revenue increases as compared to the actual revenue they received. I would think that increasing the price was a retrograde step when you take a look at how much money they actually lost.

Mr Bouw: I could answer this way. Obviously, I don't know the dollars that the government was looking for. I don't think the government recognized the potential of this smuggling problem. I think they assumed that marking and coding packages in a different manner, more enforcement—in the province of Quebec, they hired 60 tobacco police, if I can call them that, and I believe the government now has a magic wand that can detect cigarettes through the door of your car. I think they felt they could probably control this issue. I think they've recognized since then that it doesn't work. I don't think they anticipated that kind of loss.

The Chair: Mr Sola, I'm going to have to go on to Mr Carr. We don't have much time.

Mr Gary Carr (Oakville South): Thank you for the presentation. It's nice to see you again.

I don't know if you remember that I asked this question in Brantford at one of these hearings, going way back, when you came up and were kind enough to do a presentation regarding our exports to other parts of the world. As we're facing some of the problems here, what are your thoughts in terms of being able to expand our sales into the US? I think last time we talked a little about Japan, which has a high population. Obviously, we've got transportation costs. Is there anything we can do to take our product and start exporting it to other parts of the world where there's a lot of smoking? What are the impediments to that, in your mind?

Mr Bouw: Thank you for that question. In fact, as an industry, we recognize that consumption in this country will continue to decline. I guess we accept that as a given. I might add that since we made the decision a couple of years ago to recognize that, we've pursued export markets

much more vigorously than in the past, and we have had some success. Also, I think cigarettes made here were normally only made for Canada. Manufacturers are now looking at making cigarettes for other countries as well; they're a totally different type of cigarette than what we're used to here. So there are some successes there of that happening.

Sometimes, our industry is kind of betwixt and between on a lot of issues. We never like talking about good news, because somebody won't like it when we have good news in our industry, so we keep a fairly low profile. The \$400 million in exports kind of speaks for itself that it is working, although sometimes people would rather it didn't work.

Mr Carr: Thank you, and good luck.

Mr George Dadamo (Windsor-Sandwich): Gentlemen, thank you for your presentation this morning. I'm trying to frame a question so I don't offend anybody; I know it's a sensitive issue. I have become a non-smoker in the last year and a half, but smokers' have their rights too.

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I know you're not here to blame government and put it all on the shoulders of government, but at some point many years down the road, when that tax money disappears—and we need the tax money, God knows. Kids are becoming hip in high school: It's not cool to smoke any more. We know more information now. When my father started at 13 in the old country, the doctor said to him, "It's fine to smoke," as ludicrous as that sounds in 1993. That's not the case: We know it's not good for us.

But what do we do down the road when the numbers dwindle and people are quitting not only because the taxes on cigarettes are so high—and 15 or 20 years from now, a pack of cigarettes will be \$15—but people are dropping out because they know that eventually it's going to kill them? Then what do we do?

Mr Bouw: I don't really understand your question. Where are we going to get the revenues from?

Mr Dadamo: When we need it, and we'll need it more then than we need it now. Then where do we find the money?

Mr Bouw: We'll probably have to put a GST in the province of Ontario or something like that.

Mr Dadamo: What is your organization doing to prepare for 20, 25 years down the road, when you're not going to have that many smokers and the only place you're going to be able to smoke is in your car and in your house?

Mr Bouw: I guess our organization always has kind of one foot in the grave and one foot out. Because of who we are, we live in a glass house. We try to plan for five years, but that's difficult, so in terms of looking ahead 20, 25 years, we haven't done that, and I don't think we're going to do that either. We're just trying to survive. It would be great if we're still here 25 years from now, from my point of view, but we don't have that comfort, that people want us to be around that long. So we deal with our issue on an almost daily but certainly on an annual basis, with, as I say, one foot in the grave and one foot out,

because we don't know what taxation or legislation is coming towards us. It's very difficult to answer that question.

Mr Gilvesy: I think there's also a difference between us being around and people continuing to smoke. We may not be around, but the same amount of Canadians still may be smoking. I think those are the realities we face.

Mr Dadamo: Thank you; I appreciate it.

The Chair: The clock has run out. I'd like to thank you for appearing before the committee. I had a few questions, Al, but they won't let the Chair ask the questions. Maybe you could send them bumper stickers. What do the bumper stickers say? "Tobacco pays our bills." I've got a few in my office.

Mr Bouw: Thank you for your time. We appreciate it very much.

The Chair: Thanks, Al.

ONTARIO FOREST INDUSTRIES ASSOCIATION

The Chair: The next group to present is the Ontario Forest Industries Association. Would they come forward, please? Nice to see you again.

Ms Marie Rauter: Likewise.

The Chair: I enjoyed your convention on Sunday night, and the hospitality hour.

Ms Rauter: Thank you very much. I'm glad some of you were able to attend.

The Chair: Next week I'm going with Len Wood to see how trees grow in the north.

Ms Rauter: That's great. What part of the country are you going to?

The Chair: The north shore of Hudson Bay and James Bay.

Ms Rauter: They don't grow very fast up in James Bay.

The Chair: For the purposes of Hansard, could you introduce yourselves, please, and could you leave some time at the end of your presentation? As you can see, the members of the committee like to ask questions. I guess it won't be tobacco, but about trees this time.

Ms Rauter: I'm Marie Rauter, and I am president of the Ontario Forest Industries Association. I have with me today Martin Kaiser, who is the policy manager of our association.

I really welcome this opportunity. It's the first time we have been here for this particular presentation. I will give a very short presentation and then, hopefully, have some opportunity for questions.

You have our brief in front of you. As we have a very restricted time, I don't want to go through it. I do not have a written presentation I will give per se, but I would like to focus on some of the goals and some of the recommendations we have for you.

I guess I'd like to maybe introduce our association a little bit and talk to what we are in Ontario and who we are. As an association, we represent the pulp and paper companies across this province, some of those very large companies. We also represent some very large sawmills and we also represent some of the very small sawmills,

some of the family-owned sawmills, some of them fifth-generation. Some of them came here in the early 1800s and still are operating today.

We reviewed a document entitled *Renewing Ontario: A Plan for the Economy*, produced by the Treasurer of Ontario, and in that document he indicated that Ontarians want good jobs that pay well, that are cost-competitive businesses that attract investment and that we're able to compete with the best in the world.

I'd like to talk to a couple of those points in terms of us as an industry. We do have good jobs that pay well. The average wage in our industry is \$41,000 before benefits, and that's approximately 46% more than the average industrial wage in this province, so it's a very good-paying industry for people to work in.

Also, in terms of the importance of this industry, some of the figures are that we employ 77 out of 100 jobs in northwestern Ontario and 32 out of 100 jobs in northeastern Ontario, so we're a very important player in the north. But we're also a very important player in the south, and that's something that sometimes goes by the boards with people from southern Ontario, in that there are two related industries. One is the secondary manufacturing industries—about 60% to 65% of the value added products are actually produced in southern Ontario—and also the support industries that provide the equipment and the materials for the forest industry. For example, we have some of the high-tech industries in southern Ontario or some of the pollution control equipment companies in southern Ontario, and they actually produce the equipment for the resource industry.

We are also the largest contributor to the balance of trade for Ontario. We contribute an average of \$2 billion a year to Ontario's balance of trade.

So if we have a healthy forest industry, we believe we can also have a healthy Ontario. We think that's very important, so we'd like to make some recommendations on how we think we can go forward and perhaps bring us to better times. At the bottom of page 3, I'd just like to go through some of the goals we would like to talk to.

One of the suggestions we would make for government is to conduct a benchmarking exercise to assess how the Ontario system measures up against those in competing jurisdictions. We are an export industry, and three of our major cost components are wood fibre—most of that wood fibre comes from crown land—the other is labour, and the third is energy. Energy, through Ontario Hydro, is a very expensive component for us; we are the second-largest energy users in this province. So if you have a benchmarking exercise where you can see how this jurisdiction compares to other jurisdictions, that will give you a handle in terms of where our competitive advantages or disadvantages might be.

We also think it's very important that government assess the impact of its legislation, regulations, policies and programs on the competitiveness of its companies in our domestic and in our export markets. It's very important that we have this. For example, we have recently come up with some draft effluent regulations for the pulp and paper industry. We're very concerned that all of the regulations brought forward be based on sound science, so that we

truly have sustainable development which is a balance between the environment and the economy. When any of this legislation or these regulations come through, that has to be examined for every single one of them: How does it contribute to that balance? There are other areas we know all of you are concerned with. Some of them are the costs of the WCB programs and some of the impacts labour legislation will have on our competitiveness in the future.

Another one is to focus on establishing, with the appropriate interest groups, the objectives for the province—What are the objectives of this province? Where do we really want to head?—and not on the means that industry might use to achieve some of these objectives.

1040

I'd like to jump down to some other ones. Another one is to promote competition between the provinces and require government agencies within Ontario to. Only when you have some of that competition are you then able to really make things a lot tighter and a lot more efficient and, at the bottom line, benefit the people of Ontario.

One that's very dear to our hearts in terms of where we think some improvements can be made for cost savings—and there'd be cost saving on the side of both government and industry—is when you're providing some of the essential services as efficiently or more efficiently than those provided in other jurisdictions. We're at a time now where we cannot afford to be inefficient, and we do applaud the Treasurer's statement where he says, "The government is taking a hard look at some of the internal operating costs"—I'll refer to this again with our last point—"in reducing the cumulative impacts of the multiplicity of initiatives."

Currently, within one ministry, the Ministry of Natural Resources, we're involved with, or should be involved with, approximately 60 different initiatives. Many of them require input, require consultation, and we have some very real concerns with the timeliness of the consultations, the meaningfulness of them and the effectiveness of them.

I have an example here. Many of you are familiar with the timber environmental assessment hearings. Those were five years of hearings. There was opportunity for everyone in Ontario to make a presentation to those hearings, and one of the issues that was discussed was the consultation and the planning process for the Ministry of Natural Resources. That board will be coming down with a ruling later this spring.

Also within the Ministry of Natural Resources, it commissioned a study to develop a comprehensive forest planning framework; that would be an umbrella for developing. A draft of that report has come out in the last few weeks and that also talks to a consultation process, and that consultation process is very similar to the one we proposed at the environmental assessment hearings.

The Ministry of Natural Resources has invited—here's the invitation list—75 different agencies to come to Toronto for a two-day workshop with all expenses paid—travel, accommodation, meals—to discuss a planning process for the ministry. We think there are more efficient, more effective ways of doing this.

We have a new minister in Natural Resources, we have a new deputy and we have a new policy adviser, and we are cautiously optimistic that perhaps some of these things will be looked at. What we would suggest is that in terms of a sustainable development program, we practise sustainable development instead of just talking about it. We would like to see perhaps a reallocation of resources so that we are truly practising sustainable development.

What you have in front of you that we handed out today—it's from our annual meeting last week—is a code of forest practice. As an industry, we are committed to consultation, we are committed to working with different stakeholder groups, but this is an example where we brought representatives in from different groups—we had a native on our committee, we had somebody from the financial community, environmental group, wildlife group—and in less than a year and with very few meetings, we came up with a code as to how our companies will practise forestry in this province. Every single company has signed on to it. It was prepared by this external group, with some industry representation, and it was accepted 100%, without a single word change from any of our member companies. That is an example where we were committed to consultation—but it has to be meaningful, it has to be effective and it has to be timely.

Some of the things that we see go on are none of those. This is a particular ministry we're familiar with. We have no idea whether the same kinds of things are going on in other ministries. But we think that if we're going to tighten our belts, there are some very real opportunities to do so, to make some of those consultations more effective.

If you flip the page to page 5, you will find some of our suggestions for recommendations of what you might want to take a look at into the future.

The first one is that we do not believe taxes should be increased. We feel they need to be decreased. We must be competitive, and in order for our particular industry to be competitive, we have to be on a level playing field. If you were to take a look at our operating rates in Ontario compared to some of our competitors in the United States, we are operating at a 6% to 7% reduced rate from what they are, because they are more competitive than we are in many of these areas.

We also believe that government costs should be reduced. Any deficit is a future tax burden for many of your children and for generations to come, and we feel that there are many opportunities for government to work with industry to try and reduce government's total costs. This planning process and some of these consultations are one of them. Duplication of services is another. Constant reiterative checks are another. There are many opportunities, and rather than just transferring some government costs to industry, we feel we can work together and reduce costs for both of us.

We also believe that government-owned, -controlled or -regulated services must be exposed to the disciplines and rigours of competition. We do need to try and make those systems much more effective.

We also feel that in terms of the public, government accounting procedures should truly reflect the true fiscal

position of the province and not allow techniques such as deferring costs and off-balance-sheet accounting.

We feel that perhaps today people's expectations are beyond government's ability to pay. We think as an industry we have tremendous opportunity for growth. When the literacy rates of this world are anticipated to increase considerably, there are other jurisdictions that are willing to take advantage of some of those opportunities. We feel Ontario has a real ability to take advantage, and we'd like to be part of that growth and we'd like to work with government to make sure we're part of that growth. We feel that if we are a healthy industry, we can also be part of the road to recovery for this province. If you take a look at the Price Waterhouse report that we also commissioned in this past year, you will be able to see some of the impact we have on this province. I thank you very much.

Mr Ted Arnott (Wellington): Thank you for your presentation. You indicated in your brief that your industry generates about \$2 billion annually through exports.

Ms Rauter: That's the balance of trade.

Mr Arnott: Okay. The Premier has stated very clearly that he intends to fight the NAFTA trade treaty. Do you think that's an appropriate policy for the provincial government? Secondly, do you think it's in the best interests of the people who are engaged in your industry for the provincial government to be pursuing that policy?

Ms Rauter: We have always had free trade, so we're supportive of free trade because we've always been an export industry and we've always been able to compete on many of those international markets.

One of the things with the free trade agreement we currently have with the United States is that that agreement gave us one additional opportunity that we never had the last time with the countervailing of softwood lumber. The last time around, we did not have the opportunity of this binational committee to sit down and take a look at whether what the Americans were doing was actually fair or not. So we're supportive of it because it does give us that opportunity. That committee is now meeting and we're very optimistic that we'll ultimately win. Ontario is much further ahead now than it was a couple of years ago, because originally we had a 15% tax we had to pay; we've reduced that now to less than 6%, and once this binational committee is through, we're hoping we'll be able to reduce it to zero.

Mr Arnott: So you'd agree that bringing the rule of law into international trade treaties, as opposed to the whole thing being governed by domestic politics, is an improvement on the present situation?

Ms Rauter: We certainly support free trade, because as an export industry, we are dependent on the global marketplace.

Mr Arnott: Would you agree that the Premier's approach to this issue is irresponsible?

Ms Rauter: I'm not prepared to say that.

Mr Solá: That was a political answer.

Ms Rauter: I'm learning.

Mr Carr: On pages 3 and 4, you talk about something that I think all parties could support: assessing the impact of legislation, regulations and policies. To me, regardless of political stripe, that would seem like a natural thing to do.

Ms Rauter: I think so.

Mr Carr: Knowing that, and without pointing fingers at any of the three governments that have been around over the last few years, why doesn't that happen in the province?

Ms Rauter: That's a very good question. I don't know whether in the past it's really happened with very many governments in very many jurisdictions. But when you're into what we would call a recession and what I suppose some people would actually call a depression—if you're unemployed, you certainly might be calling it that these days—you're going to have to take a harder look at things. I think we are now at the point where we have to take a very hard look at everything we do. It was easy in good times to meet all of those people's expectations and spend and meet their needs, but when you're really trying to tighten your belt, you have to look everywhere, and I think one of the first places you need to look is with every piece of legislation. This is the time you really have to take a look in the mirror and see whether we're headed in the right direction.

Mr Carr: One of the reasons that people say governments don't do it—again, I don't want to be political by pointing a finger at this government in particular—is that they don't want to see what the results are, that they really don't care. I don't think that's the case. What's your thought about it? Do you really think governments are starting to appreciate, like you said, that all the social programs we have are not going to be there regardless of what government is in place? This is a perfect example: We've got a socialist government that can't implement the things it would like to because there isn't the money for it. Do you think people are starting to realize that now?

1050

Ms Rauter: My past chairman once told me something when I was doing my budget: He said you have to differentiate between what you need to have and what it's nice to have. I think we're at the point where we need to re-examine and determine what the government's mandate is, in totality, provincially and federally. What is the government's role in ensuring that the people of this country and this province have what they need to have? Maybe we're going to have to take another look at how we can deliver what it's nice to have, but we have to make sure we have programs that give us what we need to have. In order to do that, we're going to have to get down to some bare bones and we're going to have to restructure a little. Industry is willing to help government and work with government to do that. We think there's tremendous opportunities in this province, and we'd like to be here for a long time to come.

The Chair: I'm going to have to go on to Mr Wiseman and then Mr Waters.

Mr Jim Wiseman (Durham West): I'm reading page 3 of the Price Waterhouse report. It says that in 1991, the Canadian dollar reached its highest level against the US dollar since 1978 and averaged 87.3 cents US compared to 85.7 cents US in 1990. In fact, the Canadian dollar was 72.5 cents in 1987 prior to the free trade deal and had a low of 69 cents. What's the ratio of profits to the lower dollar in your industry?

Ms Rauter: I don't know if we actually have a number on that.

Mr Martin Kaiser: We do. On page 4 of the Price Waterhouse report, you'll note—

Mr Wiseman: I guess I should have read a little further.

Mr Kaiser: There are other figures there. A change in the exchange rate of one cent has an approximate pre-tax earnings effect of \$21 million for the Ontario primary industries.

Mr Wiseman: So the high dollar was really not a very good idea for your industry, not to mention the high interest rates that went along with it.

I'm what some people would call a tree-hugger.

Ms Rauter: Me too.

Mr Wiseman: But I also think there are a lot of jobs involved in this, and I'm really concerned—I'd like you to maybe try and put some of this to rest. For example, the urban forest, as it's now being called, in terms of recycling: We export an awful lot of pulp to Chicago, to New York, and they are now moving to the position where they're saying 85% or 90% of their newspapers are going to have to be recycled material. Basically, what I see there is that they're going to build de-inking plants close to the source. They'll de-ink it, add in raw pulp in the ratio that's necessary to give strength to the newsprint, and then sell it back out. I'm concerned about that, because I see that as causing a downward shift in demand for our raw pulp. Maybe you can comment on how we're trying to position ourselves for that.

Ms Rauter: That is just another opportunity, and we'd like to take it as an opportunity. In southern Ontario particularly, we have several of our companies that operate, for example in Thorold, St Catharines, that use recycled paper, primarily from the Toronto area. That means we can stretch some of that raw fibre that's in the north further for other products. If you take a look at global growth in terms of forest products, it is that there may be a shift, and recycling just presents another opportunity by which we can expand that fibre and use it for a variety of different products.

So yes, there may be some mills that will be put on the Hudson River outside of New York City and outside of Chicago. We will take advantage of some of that in Ontario. Many of our mills already have the de-inking facilities, and some additional ones are building de-inking facilities so that we will be able to cope with the regulation for recycling content. But that means the fibre that is left in the tree in the bush will then be available for other products.

I'd just like to address your comment of being a tree-hugger. That's another of the reasons we did this code of forest practice, because a lot of people are very concerned:

They hear about the forest being barren and scattered and destroyed, the Amazon of the north and a whole bunch of other things. We feel that through good forest management practices, it truly is a renewable and a sustainable resource and, if properly managed, it will supply us for many, many years to come and will provide an opportunity for people, for whatever use they want to make of the forest. So we're very supportive of good forest management practices, and we think this code is one that will be a starting point for some of the people who call themselves tree-huggers, to perhaps give them a little better comfort level.

The Chair: I'm sorry, you've used up your time and you've used up Mr Waters's time also; your colleague didn't get a chance to ask one question. I guess Mr Phillips is passing, because he asked all the questions on Sunday night, so I'm going to Mr Conway.

Mr Sean G. Conway (Renfrew North): I want to thank the presenters for a very interesting brief. Time is short. I've really got several questions, but time to ask only one. You've issued a clarion call here to all of us to understand that it's not business as usual, that we really have to turn our attention to some of the fundamentals in this economy.

Let me be direct. One of the oldest and most significant pieces of legislation enacted by this province is the Crown Timber Act and the regulations that attach to it. There are many in the academic community in this country and a substantial number of people in the Congress of the United States who would argue very strongly, and in some cases rather successfully, that the province of Ontario has developed over the decades a very bad habit of giving away, well under value, the timber resources on crown lands. As you know, of course, this was the essential argument advanced by interests in the Congress a few years ago that led to the imposition of the hated export tax.

Briefly, as it's not business as usual, could you comment on two things? First, are we giving away, in your view—or let me put it another way, because I know your argument is that we're not giving it away. How is it that we are not giving away, under value, the timber resources from the crown lands of the province? Secondly, has the time come, as it's not business as usual, for this province and Legislature to fundamentally re-examine the principles in the Crown Timber Act?

Ms Rauter: For the first one, with respect to whether we are giving the timber away, no, we do not believe we're giving the timber away. We have forest management agreements, and if you were to take a look at those forest management agreements, there is a contractual arrangement between the crown and the particular company. I guess it's a landlord-tenant relationship, really, that forest management agreement. The amount of money that the crown is giving for some of the renewal programs was equivalent to some of the moneys it was spending when it was responsible for renewal. It's balanced with stumpage, and the stumpage fluctuates according to market conditions, and then the government gives some money for renewal programs.

If you were to take that balance and if you were to compare it with other jurisdictions, that's one of the reasons—because we took it to a conclusion—that that countervailing for the United States has been dropped from 15% down to 5%. A good chunk of that is because they're talking about log export values with British Columbia; if you were to take that out of it, we would probably be at a de minimus state and not have a countervail tax at all. That's even playing with the American rules, so I would question whether anyone could say we're giving our stuff away, if we can play on an American football field and still come out with the de minimus if we were to take that log export away. We can't be giving it away.

With respect to taking another look at how we should be doing things, the forest management agreements have been in place now for 13 years since the first one. We do think it's time to take another look at how we do business. We have made approaches to the new minister that we would like to sit down and determine whether there's a more effective way that we can meet the goals of government while meeting the goals of industry and ensuring that we have sustainable forestry. We feel there's some urgency to that, and we would hope that within the very next few weeks we will be getting some responses. Bud Wildman, as the previous minister, called a meeting in December and recognized some of the urgency. We hope this minister also recognizes the urgency so we can move forward.

The Chair: Mr Conway, we've just run out of time. I'd like to thank you for your presentation before this committee.

Ms Rauter: Thank you for the opportunity.

The Chair: You're quite welcome.

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ENVIRONMENTALISTS PLAN TRANSPORTATION

The Chair: The next group to come forward is the Environmentalists Plan Transportation. I'd like to welcome you to the standing committee on finance and economic affairs. We have until 11:30. As you saw, the other presenters made their presentation and left some time for the committee to ask questions; maybe you could do the same. Could you also, for the purposes of Hansard, identify yourselves for the committee?

Ms Lyn Adamson: My name is Lyn Adamson. I'm representing Environmentalists Plan Transportation, along with Tom Samuels. I'll first make the presentation and then Tom will be adding additional information at the end of that.

Thank you for the opportunity to speak with you today concerning the links between the environment and the economy, and budget directions which Environmentalists Plan Transportation and many others in the environmental movement would like to see happen. It has been well documented that environmentally appropriate solutions to problems are more cost-effective in the long run than proceeding along traditional paths. For example, we know that energy efficiency not only reduces pollution but makes industry more competitive and reduces household expenditures.

We know that environmental solutions to such things as waste disposal and treatment, agricultural productivity and forest management are more effective in the long run than chemically based approaches. We know that reducing and eliminating air pollution reduces the economic costs associated with respiratory disease, crop losses from acid rain, losses in sport fisheries and so on.

However, the negative impact of the automobile in Ontario has not been fully recognized. In environmental terms, the auto produces fully a third of greenhouse gases generated in the province, assists in promoting urban sprawl, results in unacceptable levels of toxic emissions, contributes to the depletion of the ozone layer, and also consumes vast quantities of non-renewable resources. In 1990, more than 280 deaths and 42,000 injuries resulted from traffic accidents in the greater Toronto area. Serious health effects, including asthma and other respiratory illnesses, are caused by ground-level ozone and other pollutants. These result in tremendous health costs for society.

We are generally not aware that the use of the automobile is also a serious economic drain on the province and on households. According to the former Ministry of Industry, Trade and Technology, Ontario loses about \$5 billion each year as a result of auto imports. The figures for the last few years are as follows: 1988, \$6.309 billion; 1989, \$5.778 billion etc. It's more than \$5 billion each year from auto imports. Please note that these figures exclude vehicles for the transport of goods and motor vehicle parts and accessories.

Extrapolating this economic drain based on population growth and using the 1990 figure as a base, by 2030 AD, the accumulated drain on the province from imported autos will exceed \$100 billion. This is the equivalent of about 1.75 million job-years.

Using automobiles is also costly from an energy point of view. Aside from the environmental effects of refining, transporting, burning or disposing of fuels, the province must import virtually all of its fossil fuels. Based on information available from the former Ministry of Energy, Ontario imported about \$2.8 billion in motor fuels in 1988, and oil prices are currently low.

The following points should also be noted:

- Consumption in Ontario will increase as economic activity recovers from the recession.

- Canada is quickly running out of inexpensive crude oil.

- World consumption will increase dramatically in the next decades as a result of population growth and economic growth in the developing world.

- As a result of the above, Ontario will be exposed to higher world energy prices.

EPT has taken the \$2.8 billion and extrapolated it to 2030 AD, including factors for population growth, a variety of price changes per barrel—also assuming that natural gas will, in the long term, have a dampening effect on prices—and including an assumption that vehicle efficiency doubles. Under this scenario, the accumulated loss of capital to Ontario by 2030 AD would reach about \$51.6 billion. This is the equivalent of about 860,000 job-years.

Clearly, there is an economic benefit to reducing the dependency on the automobile in Ontario. Reducing these imports is a true generator of new employment: It does not merely redirect dollars within the economy but produces a net increase in capital for the province.

In response to the threat of global climate change, the emission of toxins from vehicles and the consumption of agricultural and natural areas as a result of auto-dependent urban sprawl must be drastically reduced. North Americans are the greatest contributors to environmental damage in the world, and therefore we have a responsibility to take a proportionate share of the reductions in energy use and greenhouse gas emissions. EPT recommends that a reduction target of 80% in CO₂ emissions be adopted by this government.

EPT recently released a study called *The Liveable Toronto Area*. It's available to all MPPs on request; it's a lot of paper, so we want to know that you'd like to read the full study before we send it to you. But we have distributed a summary—we gave Tonia copies of a summary of that report—which put forward very strong arguments for actually reversing the modal shares of auto and transit trips in the greater Toronto area within 25 years; ie, moving from 74% to 13% for all trips by auto, and from 16% to about 64% by public transit, by the year 2020 AD.

The economic bottom line is that by investing about \$36 billion in public transit infrastructure improvements in the GTA over a 25-year period, along with supportive land use improvements, the GTA will generate about \$88 billion in savings in auto and fuel imports by 2030. It should be noted that of the \$36 billion, only \$13.7 billion would be new taxpayer investment. The remainder would be redirected funds. On the last page is a summary explaining how those funds would be redirected.

The results would be a net gain of about 65,000 jobs, dramatic increases in financial flexibility for thousands of greater Toronto area households, and an accumulated positive impact on the provincial budget of about \$21 billion.

We recommend that similar strategies to *The Liveable Toronto Area* study be developed for other municipalities across the province in a joint consultative process.

EPT is encouraged by the work of the Commission on Planning and Development Reform in Ontario, which promotes environmentally responsible land use, and by the recent allocations for expansion of the rapid transit system in the greater Toronto area. EPT feels that the very serious environmental, safety, social and economic issues related to our dependence on the automobile warrant that budget planning for 1993-94 and beyond go further than these welcome measures already announced on behalf of public transportation.

Measures should include implementing relatively low-cost improvements over the short term, while at the same time planning for further expansions to rapid rail systems such as metros and light rail transit. We believe that funding should also be set aside for planning and implementing reductions in auto dependency in municipalities outside the greater Toronto area.

In particular, given that the goal must be to reduce auto use dramatically even in the face of population growth, we

urge that no more funds be spent on expanding the road network except for local roads serving high-density development. Transportation researchers have found that increases in road capacities encourage increases in traffic volumes. Any extra road space eventually fills itself with additional traffic, and the expanded road system itself faces intolerable levels of congestion, congestion which causes billions of dollars a year in costs to business because of that road dependence.

On a related issue, EPT feels that intercity rail systems and rights of way need to be protected. Ontario has lost about a third of its track in the last 20 years, a trend which is contrary to the direction we need to follow. The potential availability and attractiveness of rail can support auto reduction strategies, linking Ontario's communities in ways which support the environment and which make transportation accessible to those individuals who do not drive for social, economic or environmental reasons.

About 25% of our population will be over 65 in the year 2030. The overreliance on the automobile discriminates against children, seniors, those with disabilities and those who cannot afford a private automobile, severely curtailing the mobility of at least 30% of the population, because the more we rely on cars to get around, the less those people who do not have cars can get around and the less available are the rapid transit alternatives.

The severe impact of automobile dependency is one of the critical issues which will affect our lives and those of our children. We must look at the longer-term gains rather than the short-term cost, and shift from a consumptive mode to an investment mode. This means reducing the economic drain of automobile dependency and the global environmental decline which threatens long-term stability.

Thank you for the opportunity to speak. I now introduce Tom Samuels, who will give some specific recommendations.

1110

Mr Tom Samuels: EPT recommends a couple of short-term actions that we feel can address the problems as referred to by Lyn. First and foremost, we recommend that the province announce commitments to reducing automobile dependency, environmental damage, exposure to energy shortages and price increases and the loss of agricultural land in natural areas.

We also recommend the undertaking of intergovernment discussions on proceeding with long-term strategies to limit urban sprawl, improve land use practices and fund improvements to public transportation.

Concerning the province's proposed transportation capital corp, EPT has some specific recommendations for this. We recognize that this corporation is an ideal opportunity to ensure a balanced mix of transportation modes for the province, with related economic benefits also for the province.

We have three recommendations that we feel should be the first tasks undertaken by the corporation. First, the corporation should acquire, by buying, expropriating or leasing, all abandoned railway lines to hold for future interurban rail services. We also believe that the corporation should plan

and implement province-wide systems of express transit lanes on existing highways and roads. Third, we believe that this corporation should plan and implement a province-wide system of rail lines, developing tracks and managing a system of railways to be provided for rail operators, much in the same way as provincial highways are made available to their users.

Further, for short-term actions:

EPT calls for an undertaking of comprehensive public educational programs and campaigns to ensure these measures.

We also recommend that transit-supportive land use practices be supported by legislation, including requirements for such things as minimal densities of 15,000 for greenfield developments.

We also recommend that the province declare an interest in preserving land in the GTA not already designated for high-density developments.

Bear with me; there are only a few left.

Ms Adamson: These are from our full report, if you get a copy of our full report.

Mr Samuels: But this will give you the gist of where we stand.

We also recommend undertaking a multimedia bike-to-transit campaign; further, an announcement of a moratorium on construction of new highways, as Lyn mentioned, as a result of a policy to reduce the number of automobiles, and divert funds to public transportation improvements.

We also recommend a reduction in municipal road grants and increased income taxes on GTA residents and increased gasoline taxes in order to fund transit improvements and discourage auto use.

We recommend the creation of an annual sustainable urban design contest to generate interest in and attention to the benefits of infill development and other transportation design.

Finally, we recommend that the province strengthen its emission standards and enforcements for cars and trucks and adopt California-like emission standards.

If you're interested in finding out more details about those recommendations, as Lyn mentioned, we'll be more than happy to get you a copy of this report.

Mr Daniel Waters (Muskoka-Georgian Bay): On your last point, I didn't realize how far behind this province is on enforcement of emission standards. I was wondering if you had any further comment you wanted to make on that. I know that my brother-in-law, who happens to live in Ohio, has to take his vehicle in every year. Every resident of that state has to have his vehicle taken in and checked for emissions and pay the fee. The state doesn't; the individual has to. If you own a car in that state, you must pay.

Mr Samuels: It's the same in Colorado as well. That's because of the high altitudes. But what has to be understood here is that even if we have reductions in emissions or higher standards for emissions, if there's an increase in car usage, then that cancels out any benefit we gain from reducing car emissions. So at the same time as you call for reductions in car emissions, you also have to call for a

reduction in car usage. Otherwise, the two programs are conflicting and contradicting each other.

Mr Waters: I know Mr Wiseman has a question, so I'm going to try to get through this very fast. I represent an area of central Ontario, and we have the two main east-west and north-south links: Highways 11 and 69 run through my area. What I'm seeing is the offloading of transportation by rail and by ship on to the highways. I think that's almost planned, so that the federal government doesn't have to worry about its responsibility for rail upkeep. They offload it on to the provinces and the municipalities. How can a province such as Ontario, or all the provinces combined, stop that?

Ms Adamson: You're talking about stopping the loss of the rail lines?

Mr Waters: Stopping the loss of the rail lines and—really, what's happening is that in freight, where you used to send it by rail or by ship, you look at the roads now. They don't do it by rail or by ship; it's transcontinental trucking. They're hauling steadily on the roads, which is destroying the roads. You used to have tandem axles; you now have five and six axles under a truck. That's doing more damage to the roads and creating more pollution than the train or the ship.

Mr Samuels: And our response to that is to build wider highways to further encourage that scenario you depicted.

Ms Adamson: But you're asking what we can do. I think the province of Ontario has to undertake measures, and also work with the federal government—we'll have a new federal government—to level the road-rail playing field so that we aren't heavily subsidizing truck traffic, which we are at the moment, and heavily accommodating it, where we are seeing the loss of rail lines. For example, the rail line to Lindsay has just been sold, the rails themselves, to—are they going to South Africa or somewhere? They're going some other place in the world instead of us keeping them.

There's also great potential for the steel industry in reviving rail as that link. Also, there's a method of transportation in rail that has not been used here but is being picked up in the United States and elsewhere: the self-propelled rail trains, which you can do very small-scale, so that you can link up from small communities to larger communities to the larger interurban corridors.

Mr Waters: Feeder lines.

Ms Adamson: Feeder lines, that's right. Let's put a freeze on loss of any of these rail lines. Especially, once you lose the corridor—you sell the land—then you can never re-establish that link, so that is definitely something the province can do.

Mr Wiseman: We might also want to think about changing the way we tax corridors for rail as well. I don't have a whole lot of time—

The Chair: One minute.

Mr Wiseman: —but that might be an issue you want to look at, in terms of market value assessment on rail corridors.

Interestingly, in your brief you talk about Kingston Road having light rail transit that used to go all the way out to West Hill. That was discontinued and eliminated when we went to the nonsense of Don Mills-type planning: you know, sprawl.

Something you might want to consider in terms of your projections is moving Ontario away from a carbon-based fuel system for automobiles to a hydrogen-based system. If you take a look, in 1981—both previous governments ignored this—there was an extensive study done by Dr Scott from the University of Toronto, who is now in BC, about using hydrogen as an alternative source for vehicles. The emissions are zero in terms of contaminants, because it's water.

I think other groups agree with you. In my community, the Seaton community liaison group talks about compact urban form and how to build a community that would be more in line with the kind of transportation you're talking about. So I'd just like to thank you for coming, because much of what you say is what I agree with. Not to end on a down note, if we don't change by 2021, we are moving into what I consider to be probably cascading ecological, environmental breakdown—

Ms Adamson: Irreversible.

Mr Wiseman: And which will lead to major, major problems.

1120

The Chair: Mr Wiseman, there were no periods in that sentence. You carried on for that one minute really well.

Ms Adamson: Could I just make one point about hydrogen and the alternative fuels? There can be some work done on alternative fuels. That's fine. But it doesn't answer the space issues created by the automobile in urban settings. In urban settings of the greater Toronto area, it's just absolutely so much more efficient to move people by good rapid-transit systems—

Mr Wiseman: I agree with you.

Ms Adamson: —and promoting cycling and walking in connection with those, which is also a health benefit to people in terms of getting their exercise naturally in their day-to-day travel.

Mr Wiseman: There's a hydrogen-powered car—

The Chair: Okay, Mr Wiseman. Mr Phillips, you'd better take the floor, or he's going to talk right over you.

Mr Gerry Phillips (Scarborough-Agincourt): Thank you for the presentation. Where are the best models that we might consider that have adopted your principles and been successful with them?

Ms Adamson: What would be a model for these principles?

Mr Wiseman: Toronto in 1910.

Mr Samuels: Actually, that's a very good point. If you look at old pictures of Toronto around the 1920s, even up to the 1940s, there's an incredible balance of modes of transportation, primarily pedestrian, transit and cycling, and the car does not dominate the scene.

In the world today, northern Europe: places like Germany, Sweden, Denmark, Switzerland and the Netherlands. The Netherlands are just the gurus of this. They're 25, 30 years ahead of us, and we have to look at those cities and those places and those countries as examples of how we can have a better system here. There are wonderfully successful systems being implemented throughout northern Europe.

Ms Adamson: We didn't bring slides to show you. We do have slides demonstrating these walking paths, the cycling paths, the transit systems as well.

Mr Samuels: I'm a volunteer, but I'd be more than willing—I have a slide presentation that takes about seven to 10 minutes that offers a very clear vision of what's being done in Europe and what's been done there, and how we can apply it to the Toronto environment and context. I'd be more than happy to present it to this group or individuals, whomever. The clerk has my phone number and name.

Mr Phillips: You mention a lot of economic benefits by cutting back on the use of the auto and all the auto imports. I guess the engine that drives the Ontario economy, whether we like it or not, is the auto sector; that is the engine. I think we make somewhere around 17%, 18% of all of Canada-US auto parts or finished auto products. You suggest there would be substantial economic benefit, but I would suspect that if there was, on any broad basis across North America, the kind of decline in the use of the automotive industry that you project, it would take a fair bit of energy by us to replace those jobs with other jobs.

Ms Adamson: I think we would say that a lot of jobs can be created in making rapid transit vehicles; bicycles, probably, as well.

Mr Phillips: Bicycles?

Ms Adamson: Sure. Let's look ahead and see what's coming. We know the automobile has to be phased out, for all the reasons we're talking about—it has to slow down—and then gradually look at the conversion of our industrial base. We could be a leader around the world—there's no question about it—in terms of supplying rapid transit vehicles and systems. When you promote mass transit, there are many permanent jobs created. When you're building roads, you're creating a lot of temporary jobs.

Mr Samuels: If I could further that, on the net result—that is, the net economic loss in terms of jobs—our researchers found that Ontario spends approximately \$5 billion annually to pay for imported automobiles, and combined with the \$2.8 billion lost to the economy each year for motor fuels, this is the equivalent of losing at least 133,000 jobs each year. So in the end, that idea is really not factual.

Ms Adamson: What you're saying, too, is that 17%, 18% of the North American market is supplied in Ontario, and that most of that is for export. So what we do now won't directly impact it; there will be a phase-in period that's going to gradually effect—in other words, our automobile industry isn't directly tied to our use of automobiles in Ontario. I think—I've lost my point here.

Mr Samuels: Well, I haven't heard that point, but it makes a lot of sense, actually; it's a good idea. But if we can implement these measures for reducing the automobile in our province, because the jobs are created by making automobiles for somebody else's backyard, it's not going to—

Ms Adamson: It's a gradual shift.

Mr Samuels: It's a gradual shift, and it won't really affect us.

Mr Phillips: Okay, that's great.

The Chair: I'll have to go on to Mr Carr. Is that C-A-R?

Mr Carr: It's two Rs—no, one in "Gary" and two in "Carr."

Thank you for your presentation. There were many people who voted for the NDP government because they were strong on the environment, and I hate to say this, but you have already lost the fight. You may know that a week ago, a week and a half, whatever, the Premier made a major announcement on funding for capital projects. In many respects, the fight's been already lost. We now are going to have a corporation that's going to build the roads. We've got plans in place to build more by having tolls, and so on. I think it's fair to say, with all due respect—because I appreciate a lot of what you're saying—that the fight's already been lost with this government.

Why do you think there's been this change in terms of this NDP government's policies? They were so strong on the environment, and they basically changed to say: "We're going to build roads, and we're going to pay for it in tough times by having tolls," a complete reversal. Why do you think that came about?

Ms Adamson: The road lobby.

Mr Carr: The road lobby's got the Premier's ear.

Ms Adamson: I'm afraid so. I don't know. I can't guess.

Mr Samuels: Also, what about the fact that NDP, Conservative, we're all, in the end, human beings, and we've all grown up with this fantasy of the car. Even the poster for the car show down at the CNE is this exotic, very seductive car. I mean, it's so attractive that I want it. We're all coming in with this psychology that the car is—

Ms Adamson: A ticket to independence.

Mr Samuels: It's a ticket to independence, and it's more. In suburbia, you have your car in front of your dining room window, so while you eat you can look at your cars. It's so integral to our psyche. And that's why one of our recommendations was an education campaign. Any change has to come from educational initiatives, and that's where we have to start.

Mr Carr: What do you suggest we do? I appreciate that you made this presentation, but now that things have changed and we're building the roads and the money's already been allocated and the companies are already lining up, what do you see happening in terms of turning it back? We're already down that road. He's already made the announcement. The funding's all in place. Once we've got these roads, the next logical thing is to say, "We can't

change, because we've just spent billions"—and that's what we're talking—"to build these roads." What do you see happening?

Mr Samuels: I just had an idea on that. Part of the financing for these roads etc is coming from private initiatives, I understand, and a lot of the private funding will come because the private companies or industries or individuals are interested in their own parcel of land they have. If, with the roads, we can somehow discourage the urban sprawl through controlling densities, forming guidelines for urban development form, then maybe that can somehow put a curb on what could potentially be quite catastrophic.

1130

Mr Carr: As you know, the theory has always been that if we build an infrastructure of mass transit, it'll be able to pay for itself and so on. The problem we've got is that a lot of our mass transit—to take an example, Toronto's has not; it's subsidized. Why do you think we haven't been able to—

Mr Samuels: TTC ran in the black as opposed to being in the red until they had to start servicing suburbia and the urban sprawl.

Ms Adamson: I think what's underrated is the massive subsidies to the automobile. I don't think people who drive automobiles realize that beyond the \$7,000 a year or whatever that they might pay to maintain their car, society as well subsidizes by thousands of dollars each car, so we understand from the studies we've read. So billions of dollars per year, according to Pollution Probe in its study, *The Costs of the Car*, are being spent. And this cannot even begin to measure the environmental impact. We are grossly subsidizing the automobile, and I think people don't realize that. Certainly, if there was use less of the automobile there would be greater use of transit, and the subsidies required by transit would decline.

The Chair: I'm going to cut it off there, Mr Carr. Our half-hour's up. I'd like to thank you for coming before this committee. I think the clerk was going to get the telephone number, but if you've got it handy, maybe you could give it to the members of the committee.

Ms Adamson: You can get us at 397-3073 or 393-3074.

The Chair: I didn't see an address either. Could you give the address?

Ms Adamson: Yes, 155 College Street.

The Chair: Just around the corner. Thanks for coming before the committee.

Ms Adamson: Thank you very much for your interest.

Mr Wiseman: Keep up the good work.

INCOME MAINTENANCE FOR THE HANDICAPPED COORDINATING GROUP

The Acting Chair (Mr George Dadamo): I'd like to ask the next presenters to please take a seat, if you would be so kind. Welcome to the finance and economics committee. The way this works is that 30 minutes are allotted. Of course you have time to make your presentation, and please allow time for the members to ask questions of you. I'd like to introduce the Income Maintenance for the

Handicapped Coordinating Group. Please, for the records and for Hansard, identify yourselves.

Ms Laura Stambler: Laura Stambler. As chair of the Income Maintenance for the Handicapped Coordinating Group, I'd like to introduce my colleagues: Scott Seiler, coordinator; Harry Beatty, counsel.

Mr Scott Seiler: The first item on the agenda: Rate increases for this year have been postponed until the spring, and we would basically like to put our point of view across that rate increases must be brought up. People are at least 60% behind or under the poverty line right now, and with a lack of rate increases this year, it will put people who are on social assistance and people with disabilities even further behind financially than they are now. It's very important that rate increases are not, this year, kept to inflation, because we have to do some catching up. If we're 60% behind, I think we have to do a little bit of catching up to what the established poverty rates are. If a poverty rate is \$25,000 for a family of four and we're only making \$6,000 to \$8,000 a year as a single individual, we're not doing very well.

Ms Stambler: May I elaborate? Social assistance rate increases were delayed by an additional three months this year, for the first time in a decade. Then the increase was only 1%. With the delay, the real increase is only 0.75%. This is not acceptable and not something the disability community would expect from this government. We urge the government to consider an additional increase during the 1993-94 fiscal year.

Social assistance rates are an easy target in difficult financial times. If they are eroded, however, the inevitable result will be an increase in the consequences of poverty for disadvantaged people. In the disability community, these consequences include family breakdown, major health problems and institutionalization. Evidently, social consequences like these cost the government much more than a fair increase in social assistance rates.

Mr Seiler: My next topic of conversation will be employment services for people with disabilities. The major funder of employment services for people with disabilities in this province is vocational rehabilitation services. VRS is still having many problems with long waiting lists, anywhere from two to six months, and in some areas even up to two years. I know they are trying to deal with the waiting list issue, but it's been very unsuccessful.

There are a lot of other problems around employment services for people with disabilities. There's a fundamental issue around people not being able to access training because the very pension they're on, FBA, uncategorically says: "You're unemployable." Then you do not get referrals, for instance, to VRS and other services that could provide employment training or employment-like services.

We also have some very significant cabinet leaks that have happened in the last while, regarding mandatory employment services and mandatory training for people who are on social assistance. Many people with disabilities in this province will not be able to participate in any form of training. They will not be able to do this, because they are either institutionalized, for whatever reason or for whatever

disability, or because they are unable to work at a particular time, not because they are not going to be able to work at all.

Also, we have so many issues, such as employment equity, that have a bearing on the employment of people with disabilities and the training of people with disabilities. It's very important that things like employment equity are followed through on, because you can train people, but as long as there isn't somewhere for them to actually work and a way for them to get into jobs, then they are not going to be employed anyway.

Things like STEP, the supports to employment program, were really a detriment to people on social assistance getting any form of training at all or getting a job, because if they have to wait for three months before they can actually get assistance from the system through STEP, then really there's no point in it at all. It's a waste of time and money for everybody.

1140

Mr Harry Beatty: The third item that we wanted to talk about today is the disentanglement process involving the municipalities and the province, because we see a major concern for people with disabilities in the draft agreement that has been reached. Essentially, the problem concerns the supplementary aid program.

There are two special needs programs, supplementary aid and special assistance, which are delivered by the municipalities under the General Welfare Assistance Act. They are special needs funding programs for which people on family benefits, people with disabilities and people on other programs are eligible. But even if it's for someone on family benefits, for the special needs items they have to do to the municipal social services department notwithstanding that they get their social assistance cheque from provincial program.

Supplementary aid and special assistance cover a number of very important health-related and other items. For example, for people in need, it would cover the 25% of assistive devices not covered by ADP through the Ministry of Health, and for items that are not covered by ADP it would often pay 100%: special dental services beyond the basic plan offered by family benefits—it's not unusual for people with disabilities to have exceptional dental needs—nutritional supplements, transportation allowances. For example, we know that a bus pass for people who have come out of a psychiatric hospital to attend a day program was cut in one community in Ontario.

Large municipalities like Metro Toronto and Ottawa have had substantial supplementary aid and special assistance programs, but smaller municipalities have often had a very limited one or perhaps none at all. In some of the northern or rural counties, if people with disabilities or others go to the municipal social services department, they may just say: "Well, we don't have the funding. We don't have a program."

Accordingly, our group has recommended for many years that this be a provincial program, and we had hoped that it would go to the province as part of disentanglement. However, that hasn't happened, and the program continues

to be under pressure. Some items, for example, were cut by Metro Toronto last year. It was on their agenda even to cut what we regard as essential health-related items, but, after some intensive lobbying, that hasn't happened yet.

We've attached a news story from the Cobourg Star as an example of something that is happening locally; where, although no decision has been made, clearly the municipality believes that due to budgetary constraints it may have to cut this program.

What we are urging is that supplementary aid and special assistance be looked at in the context of the disentanglement process and that, if possible, these become provincial programs.

The newsletter called Update on Disentanglement had a statement in it indicating that there would be agreements in order to protect current levels of service under this program. As we've already pointed out, though, even if current levels are protected, the program is simply not available in municipalities that don't feel they have the tax bases to support it.

Perhaps we can turn it over to questions, unless my colleagues have another comment.

The Chair: We'll lead with the Liberals; Mr Conway.

Mr Conway: Thank you very much for your presentation. Time is always too short in these opportunities, so let me just pose to you one question, because you make a very strong claim for additional assistance. The government of Ontario is apparently broke; we have no money. All that we've got is committed. Actually, it's overcommitted: According to all the reports, we're overcommitted by about 20%. I think you've got a very valid claim for some additional money. From whom do we take this money, and how do you help us take it from the "haves" to people who clearly don't have enough?

Mr Beatty: Clearly, we haven't come and pointed to another group and said, "Take the money from them." Clearly what we have tried to emphasize in our presentations to this committee for a number of years is that the real longer-term solutions are to look at the various programs, particularly around employment. We know there are people with disabilities who are highly motivated to work. If there wasn't such a threat of losing the benefits, perhaps for ever, when you attempt to work, more people would perhaps get into the workforce, as Scott addressed. In terms of taking money from the "haves," I guess that's a tax problem.

Mr Conway: You see, our problem right now is that if we listen to folks out there, they don't want us to raise taxes much beyond where they are. If we listen to our bankers, increasingly foreign bankers, they're telling us: "We're not keen to loan you more money. Well, we are, but the rates are not going to be very attractive and boy, you've got a very heavy appetite for borrowing." We seem to have played out our tax-and-borrowing options. We're now left with very legitimate demands from people such as yourselves, but we've kind of got ourselves into this box.

I want to do something for you, but I want to be honest and say that in the short term, we appear not to be able to

raise taxes. Even my friends—you know, Floyd Laughren's a good guy and a very bright guy, and he says he can't tax the corporations more, he can't tax the middle class more. The Premier's going on daily about the deficit worry, and it's a legitimate one. So are there things we're doing out there, for example, that we should stop doing, and redistribute some of those dollars in support of some of the very good things you've—

Mr Seiler: One thing that has to be done is an awful lot more work with groups such as ours and other groups out there in all of the different areas of service, looking at where there are problems in areas of service, where services are working and where they are not working, and revising services. Those are all ways in which you can save money: If you have a service that really doesn't work very well and you're still providing that service, then why are you doing it?

Mr Conway: Can you give me a good example? Because I'd like to cancel something and give you the money.

Mr Seiler: I think that has to be done through more appropriate consultation than this. It has to be thought out very, very well and very soundly. For instance, last year at this very venue a lot of suggestions made, and none of them were followed up.

Mr Arnott: Thank you for your presentation. I'm interested in your comments on the assistive devices program. I had a constituent who contacted me about two weeks ago. To briefly tell you the story, about eight years ago this couple was on vacation in the United States, they were in a terrible car accident, hit by a drunk driver. The gentleman is now, eight years later, around 29 years old, and he's a quadriplegic. His wife looks after him at home, and they applied for assistance through the assistive devices program for a wheelchair. They were denied assistance. They were told: "Unless you're able to propel the wheelchair yourself, you get nothing from the provincial government. Go to social assistance or go to service clubs or whatever." I couldn't believe it. I was absolutely startled that that's a feature of our wonderful assistive devices program. I'm just wondering if perhaps we should be expanding it. Would it be possible perhaps to reduce the level of support, such that everyone who required assistance for a wheelchair got at least some support? It appears to be discrimination based on the severity of your injury.

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Mr Beatty: In fact, we have raised this specific issue, because it had been brought to our attention, with the Ministry of Health. In meeting with the assistive devices program officials, it appears they are trying to review, particularly the fact that ADP is paying for some quite low-cost items: walkers and so on. Of course, we'd like to see all of these health-related things paid for, but clearly an electric wheelchair is a much bigger item than some of the smaller items. Perhaps some things can be done in that direction.

I would agree with you that the rule seems discriminatory. It's just another example of how so many of the policies make it difficult for people who are trying to be

more independent. In this case your constituent and his wife are making a big effort—it's always a huge effort—to ensure that he stays in the community. When you get the cumulative effect of saving a few thousand dollars here or there on these programs—and another thing we point to, and we're hearing a lot about it, is cutbacks in home care—pretty soon the family gives up. They say, "We can't cope." Then there's an institutional placement, and then government is paying in the thousands and thousands a year.

That's the kind of thing we keep trying to talk about, that if the real impact of the programs were looked at, it isn't always a saving to take 10 or 15 hours off somebody's home care or to turn somebody away when they need an electric wheelchair. If the result is a significant percentage of cases in which it'll just become too much, then the government winds up paying a per diem for the person which, if it's a chronic care hospital, could be several hundred dollars a day.

Ms Stambler: I'd like to elaborate on what you said, Harry, and go back to the question posed by Sean Conway. We represent a range of disabilities, visible and invisible. Speaking as a person who works for people with psychiatric, mental or emotional difficulties, statistics tell us that—going back to your original questions, Mr Conway—care in the community costs a fraction of care in institutions. Your question was a political one, but I can also answer it in terms of real statistics. Care in the community, especially for people with psychiatric, emotional or mental disabilities, costs a fraction of what it does in institutions. So if you're looking for a valid way and a sound way of cutting costs, look to care in the community.

Mr Seiler: I think the ADP is a really important issue for people with disabilities. For instance, I've met people who get many, many things from ADP and have a really good relationship with the system and how it works and get what they need. Then I know people who, because they're a year too old, can't get anything; they end up actually having to use expensive support systems that are out there in the community, when, if they had the assistive devices, they wouldn't need those expensive supports. You're looking at something that will cost \$2,000 or \$3,000 up front and the person will have a use of it for quite a long time, whereas you're bringing in somebody that costs \$10 to \$15 an hour for 20 hours a week to do the same thing.

That's the type of thing where you can also save money as well. These are also the things we said last year and the year before and the year before. These are not new solutions; these are old solutions. This is what frustrates us, that we have given these solutions, and we've been given them for years.

The Chair: We'll have to move on. Ms Harrington, and then Mr Waters. Can you share your time?

Ms Margaret H. Harrington (Niagara Falls): I certainly am hearing your sense of frustration. I know that in my riding as well we have the same problems of inequities with the assistive devices program. One thing I'm hearing very strongly from you is that we share a very common

direction in the goal we're trying to get at. It's so important that we have your input, that we work together. That's probably got to improve from what it already is.

I want to let you know that the goal of our government in the social assistance reforms is to have an active system instead of a passive system, which in the past has kept people on the margins of society, kept people out of economic life. What we want is to change that system to an active system. Just to clarify what our goal is, it's to empower people as much as possible, and I think that's your goal as well.

Just last night in my riding, I had Elaine Ziemba speaking to my riding association. She very clearly explained the role of trying to get disabled people into the workforce and gave some very interesting examples of how they've participated in the workforce and have been wonderful employees, inspiring almost the whole company to get moving. So I do want to let you know that employment equity is something we want to work very closely with you on.

My question was about the opportunity planning. We're very serious about that as well. Would you have any advice to us about how to carry through with better planning opportunities?

Mr Seiler: I work on the employment project team, who are the people who really developed the concept of opportunity planning. We thought opportunity planning must be voluntary, simply because you cannot expect people, in a coercive system, to be able to properly attend programs. This is not a punishment. This is something for them to improve their lives, not something they're forced into. People with disabilities, as a whole, want to go out and work. For the general population, I know that's the case with almost every single parent or single employable I've ever talked to. Their goal is also to go out and work, be trained or do something. I don't think we need a punitive system in this province to do opportunity planning. In fact, I think it will make the system not work.

Mr Beatty: I believe the system has to respond much more quickly than voc rehab does now. It has a really negative effect on rehabilitation, if people are interested in taking a course or an employment opportunity, and the assistance to allow them to do that—you're told you have to wait four, six or even eight weeks for an appointment. I think the VRS people, in many cases, do the best they can. It's just badly underresourced. Clearly, though, if somebody has an employment opportunity, someone with a significant disability who needs the rehabilitation support there and then, the employer isn't necessarily going to wait two or three months for the opportunity planners to get moving. So I think it has to be a very quick response. Too complex or bureaucratic a system I don't think will work.

Ms Stambler: May I just make a point here to answer Ms Harrington's initial point, and to elaborate on a point that Harry made? We constantly find, as consumers, that systems are designed for the bureaucracy or for the system

rather than arranged around the person, the person you want to empower, the person I want to empower. I think we want to look to a system that is designed around the person, the individual, who really knows best what they want, and not someone slotted into some make-work program: something that's personalized, individualized and designed to empower a contributor.

The Chair: Mr Waters, you have one minute left.

Mr Waters: I'll try to make this very short. I think I'm going to pick up on Mr Conway's and your last comment, ma'am; that is, efficiencies, and how that works.

I come from small-town central Ontario, and I look at what I see in any and every one of my towns. This list you've provided of your members is probably just part of the number of administrations for each one of these in each town within my riding. Each one has their own administration, their own office, their own office supplies, then I look at the service. I guess what I'm saying is, is there not a better way of doing it: one administration, one community program to deliver them throughout the community? But I can tell you, governments are very much afraid of these minor bureaucracies that are built up in each community, because you're looking at all these people who lobbied for these things. How do you deal with that and how do you change it to make that more efficient so that the money goes to the consumer, not to establish 10 or 12 or 15 administrations with photocopiers and fax machines and staff and all of that in each community?

Mr Seiler: I think you've got a very good point. We in the employment project team, for instance, looked at this issue very strongly, and we decided that we would recommend that the dollars be attached to the person—I can tell you that government would not buy that—and that agencies would be really working for the person, not for any particular government bureaucracy. It would be like a fee-for-service. You would have a chit with your training dollars or whatever the service would be and you would go out and purchase your own service. That's the type of system we looked at. That way, people get what they want, they have choices.

If we call ourselves consumers, we are not consumers when we are forced into using specific services that are specifically designated for specific groups. That isn't choice; that's just us being given something that is there. But what if the program down the street that is for another particular designated group is even better and we want to get into it? We should have these kinds of choices.

And yes, you're right. There are a lot of mini-bureaucracies. I think you're going to see even more bureaucracies with things like OTAB.

The Chair: That's downstairs. I'd like to thank you for making the presentation before this committee today.

This committee's recessed until 2 pm sharp.

The committee recessed at 1203.

AFTERNOON SITTING

The committee resumed at 1405 in room 228.

ONTARIO ASSOCIATION OF
INTERVAL AND TRANSITION HOUSES

The Acting Chair (Mr Daniel Waters): I'm going to call this afternoon's meeting to order. I believe the first group before us is the people from the transition homes—interval and transition homes; I stand corrected and I should have known that from my community. What we've been trying to do is, if you would leave enough time for some interaction with the committee after your presentation, it would be appreciated. The floor is now yours.

Ms Kathryn Gregor: You have before you some of what we're going to talk about this afternoon. My name is Kathryn Gregor and I'm with the Atikokan Crisis Centre. For those of you who don't know where Atikokan is, it is in the Rainy River district and it's somewhere between Thunder Bay and Fort Frances. Trudy Don is with the Ontario Association of Interval and Transition Houses and works in Toronto.

I'm here today speaking to you as a member of the OAITH's lobby committee. I noted with interest, when I took on the responsibility of speaking to you today, that there had been allocated 15 minutes for this presentation. It seems to be established practice to allocate incremental amounts of time and resources to the provision of direct service to assaulted women and children, and we fundamentally struggle with that. Be that as it may, it is my hope that our discussions today will convince you to take action to enhance those services.

This government is currently spending a great deal of money on preventive family violence initiatives and we applaud the government for that effort. However, untold amounts of money are also being spent to deal with the aftermath of family violence. Young offender institutions are filled with offenders who have been victims of childhood physical and sexual assault or abuse. It is estimated that up to 80% of inmates at women's correctional facilities have been victims of sexual and physical assault. The cost of dealing with the aftermath could well be in the hundreds of millions of dollars. Add in related health, police, court and social assistance costs, and I'm quite sure that the final figure would be staggering and unacceptable.

We, as a society, have developed a curative response to violence, a response that has proven to be ineffective at protecting women and children, a response that does not effect consequence for the perpetrator, but for the victim.

It's also my understanding that OAITH has come before this committee on numerous occasions to attempt to impress upon you the need to improve shelter funding. We have repeatedly requested that the committee consider and approve the alternative funding formula proposed by OAITH to the Ministry of Community and Social Services. Adoption of this strategy would enable us to expand our public education work within our communities to work directly with assaulted women and children, advocating on their behalf in the courts and providing them with a safety

network in an attempt to keep them and their children alive.

Thirty-seven women were murdered by their partners in 1991 in Ontario. Thirty-seven lives were destroyed because our society continues to ignore the magnitude of the problem of violence in our lives and the reality of male violence. I know that at the end of my address to this committee, you will ask me to place a dollar figure on what it would cost this government to adopt the alternative funding formula. I would suggest to you that it is your responsibility to make that determination. It is up to this committee and this government to decide what price they will pay to keep women and children safe in this province.

I would also like to suggest to the committee that our society cannot afford to continue to tolerate the level of violence aimed against women and children. The costs are unacceptable now and will only escalate in the future. I am referring to the level of human suffering endured every day by women and children in this province and in your communities. The following lists some of the tragic realities of male violence:

— Assailed women are more likely to attempt suicide. In one study of 225 female suicide attempts, 83% were made by assaulted women.

— A study by the Addiction Research Foundation found that women who are assaulted by their male partners are 74% more likely to rely on sedatives and 40% more likely to take sleeping pills than women who are not assaulted. This substance abuse occurs after the assaults, and I'd like to make that point very clear. I'm not talking about women who are substance abusing before the assaults; it is a direct result of the assault.

— Forty per cent of wife assault incidents begin during the time of the women's first pregnancy.

— In 1987 the Ontario Ministry of the Attorney General reported over 16,000 domestic assault occurrences. A total of 93.5% of resulting charges were laid against men. During these attacks women suffered bruises, broken and cracked bones, back and head injuries, loss of hearing, impaired eyesight, malnutrition, burns, disfigurement and death. These women are not invisible. They're your next-door neighbours; they're probably your relatives; they could be someone who's even closer to you than that. These women are real and they're suffering these effects every day.

— It is estimated that as many as 80% of children of abused women witness the abuse of their mothers.

— In one out of three families where the mother is assaulted, the children are also directly abused, either physically or sexually.

— Children of assaulted women rate significantly below their peers in areas such as school performance, participation in organized sports and activities, and social involvement.

— Violent behaviour is learned. Some studies indicate that between 40% and 60% of assaultive men witnessed wife assault during their childhood.

The cumulative effect and associated costs of male violence cannot be explored in 15 minutes. I can assure you, however, the effects will be long-term and costly beyond belief. We, as individuals and community members, can take steps to help stop the violence. However, you are the ones who have the legislative authority and mandate to protect women and children. You have the power to make a true and lasting difference.

In order to effect real change and clearly demonstrate your intolerance of violence against women and children, we are recommending the following:

— Implement the alternative funding strategy developed for shelter operations. The Ministry of Community and Social Services has that information available.

— Legislate the provision of services for survivors of male violence.

— Recognize the important role played by shelters in their support of abused women and children.

— Recognize that protecting women and children from male violence must remain this government's top priority.

— Recognize that the cost of tolerating male violence far outweighs the cost of enhancing protection to and assistance for battered women and children.

In 1990, Health and Welfare Canada stated in a publication on wife assault, "It is time for more of us to care." Caring is not enough. Battered women and children require you to do much more than that. They require you to consider and adopt the recommendations made here today to assist them in their efforts to live free of the violence.

I'd like to thank you for your time and also we'll accept any questions you may have at this time.

The Acting Chair: Before we go to questions, I would like to make it clear to you that everyone who appears before the committee gets an equal amount of time, so in no way are we showing favouritism or anything. It was agreed to by the committee that everyone would get a half-hour in total, and in your case, you've left ample time for people to interact with you and ask questions. I'll start those questions with Mr Arnott or Mr Carr.

Mr Carr: On page 4, you were very clear in your recommendations of what needs to be done. I think there was a lot of hope that particularly with the former Minister of Community and Social Services, with her background, some of these things would be implemented. I was just wondering, from your experience, and it's very clear and concise what you've laid out, why do you think that hasn't happened when you had so much—if anybody knew what it was like, the former minister did. Why do you think it hasn't come about, some of the recommendations here?

Ms Trudy Don: I have to respond to that one. I've appeared before this committee from 1982 until today on numerous occasions, and frankly I have to state that none of the previous Comsoc ministers ever responded very favourably to our requests. I don't think it's an exception of any government.

Mr Carr: But because of the background of the minister, I think you thought it would probably change, and I just wondered—

Ms Don: Well, yes, and I also know that there has been some improvement made. I think there's just such a wide area that needs to be tackled that—I think I have to make it clear, I don't see that this is the only committee that needs to take this on; I think it's an issue that the entire government has to take on. I know there's a shortage of money, but that's always been a—I've never yet and I don't think I'll ever live in a time when there is no shortage of money. When we want to send troops to the Gulf, we find the money suddenly.

Ms Gregor: We were very strong in our message that if this violence is not stopped and not dealt with, the long-term effects will be staggering from a financial perspective. It's very much like the long-term costs of continuing to allow, without consequence, drinking and driving. We look at that and wonder why the government will not bring in similar legislation about wife assault. The courts are very clear about what they have to do with drunk drivers and there's no ifs, ands or buts about it. We would like to see something in place. The province made a very clear statement about zero tolerance for drunk driving, and we'd like the very same emphasis placed against wife assault and the tolerance for wife assault; we'd like zero tolerance.

Mr Arnott: Thank you very much for your presentation. I'm sorry I was a little late getting here and missed the first bit, but I've gone over the earlier part that I missed.

You state, "This government is currently spending a great deal of money on preventive family violence initiatives and we applaud the government for that effort." I assume you mean by that the advertising promotional campaign to discourage family violence. How effective has that campaign been, in your opinion? It's so difficult to measure whether or not it's having a direct impact, but do you think it has been effective?

Ms Gregor: I think it has to be married to a very strong message that there will be consequences. I know that I struggle with some of the advertising where it's, "Will you please stop the violence" type of thing, where it's—

Mr Arnott: That's what I was getting at. Do you think the tone is appropriate to achieve the effect we're looking for?

Ms Gregor: I think that from a public education perspective, there is at least an admission that it is happening and that it's not just happening to a very small segment of the society, so people are understanding that a lot clearer now because of the public education strategy.

Mr Arnott: Do you think it's influencing in a positive way the behaviour of the individual men who are abusing their wives and their children?

Ms Don: As you say, it's very hard to measure that, and the only way you could measure it is by figures from the police to see whether in fact fewer assault charges are

laid and we haven't got any recent ones. I think the most recent one is the one that Kate quoted from 1987.

I think—you know, my grey hair—there definitely has been a change since I first became involved 20 years ago. I remember coming before this government back in 1974 and I was told it only happened in bad old Toronto, that it didn't happen anywhere else. So there has been a change, there's been an acknowledgement this is an issue.

My concern is that we can acknowledge it and we can see there's a change, but we don't seem to be stopping it. That's my biggest concern. We can all speak the right language, but if women and children are still being abused it really doesn't matter. It doesn't really make any difference whether you say it with the right language or the wrong language. It still hurts. That's my biggest concern.

Mr Arnott: I agree with you and I haven't the slightest idea what the government has spent on this campaign.

Ms Don: I don't know either. You can find that out easier than I can.

I think we also have to acknowledge—and I know I sound like I'm—it seems to me important that I don't think this is a political party issue. I really feel I want to emphasize that because if we look at this as a party issue, we'll never get to an answer. This is much bigger than that.

Mr Arnott: I don't mean to be—

Ms Don: The whole public education campaign started way back.

Mr Arnott: I don't mean to be putting it in those parameters. I'm just trying to get at the effectiveness of the advertising promotional campaign and if perhaps some of those resources would be better utilized in making sure that adequate services are there for people who need them.

Ms Don: I don't think you can move dollars from one place to the next. You just have to put a whole lot more dollars into it. I want to see much more done in education in the school systems, within the whole educational system. It's just a matter of the infusion of a large amount of funds.

Ms Gregor: Again—I hate to keep repeating myself but I will—unless there is consequence to an act, the act will continue, and unless for anyone who uses violence, but particularly men who use violence against women, unless there is a consequence associated with that action, why stop? I really note with interest that there isn't one female face on this committee.

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The Acting Chair: I was going to take that up with you, by the way, and I regret not saying it earlier on. Unfortunately, due to committee and work—this morning there were women on the committee and all parties have had women in here at different times, but they all have many commitments. Unfortunately, some of them have subbed out to fulfil other commitments, but indeed there are normally women actually from all parties in all of the committees.

Ms Gregor: It's very important to me to have women in those positions to make decisions about where moneys are going to be spent to support women.

The Acting Chair: Any further questions? You have about a minute, minute and a half. No? Mr Morrow first, I believe.

Mr Mark Morrow (Wentworth East): First of all, let me say that I like what you have here. I can support all five recommendations, and I like the analogy that you used about a drunk driver. Wife assault is a crime; we should be treating it that way, a lot stronger than even we are presently. The aspect of education, you're right, there does have to be more done.

I meet with interval and transition homes in my riding of Wentworth East, and we've done a lot of talking over the past two years about core funding. Has that been resolved as far as you know?

Ms Don: No. In fact, I think one of the issues I wanted to raise here too is that I've personally been very concerned about the whole disentanglement exercise, what the effect of that's going to be on us. As you know, the service for abused women is not a mandatory program, it's not legislated. So individual municipalities could opt out of it if—I think beyond the funding formula that we prepared, I also would like to go back again to the recommendation back in 1982, an all-party agreement that legislation should be brought into place to deal with the funding of services for abused women. This goes back 11 years now, and it wasn't something that one particular party recommended; it came from a three-party agreement.

It feels very uncomfortable for me that we are still looking at something that is optional, that we can say, "Well, maybe these women need it and these don't." We do have mandatory programs for children's services, safety for children, but for adult women we don't look at it as being mandatory, and it really concerns me.

Mr Morrow: It seems like the funding issue is really haphazard. Some get it, some get more than others.

Ms Don: Yes, that's right.

Mr Morrow: I guess basically what you're looking for is one set across the province. I would really hope this committee takes your recommendations very seriously.

Ms Don: We tried it last year. We made the same recommendation and nothing's happened.

Ms Gregor: I'd just like to say for the record that our shelter had its funding pulled by the municipal social services board in terms of its joining with the Ministry of Community and Social Services in a funding arrangement on a per diem basis. So it can happen and it is happening.

Mr Wiseman: This is an issue that is becoming of greater and greater concern to me, because my community doesn't have any—120,000 people and there's no place for battered women to go, and children.

It seems to me that the decisions are being made at a regional council level. To what extent do the district health councils play a role in any of this? I have to understand the politics of this so I can understand why it is that two communities with 120,000 people receive zero funding in terms of shelters for women.

Ms Don: Search me. I don't know. You people like to ask this. I don't think there is a rational answer to that

question. That's what makes it all so crazy-making. It's so discretionary across the province. I got a phone call this morning from somebody saying, "How should I set about to open up a new shelter?" in whatever particular area it was.

She said, "I've been to my municipal council, I've called the ministry etc and I just get the runaround. There's a great need for a service here," and I have to tell her, "You're doing everything you should be doing but there is nothing mandatory that forces your community to go along with this."

Mr Wiseman: But the funds come from a regional level and in my community—

Ms Don: They're cost-shared on the GWA primarily, so it's like your 50-30-20 cost-sharing. I also know that certainly a couple of years ago since the capping of Canadian assistance that there has been a problem with keeping up with those kinds of funds.

Mr Wiseman: We're funding now almost 70% in Ontario because of the federal cutback.

Ms Don: That's right, and I appreciate that and I understand that. I do get concerned, though, when I'm always hearing it's because of the deficit we can't do this and because of the deficit we can't do that. I came across this wonderful publication the other day which said, "The deficit made me do it," which I think is absolutely appropriate. It doesn't make sense to me. As I say, I read in the paper about when they were building SkyDome, they said it was going to help me as a taxpayer of Toronto eventually. Well, it sure has helped me, right?

Mr Wiseman: Yes, I'd like to see that day. I hope I'm alive when it does.

Ms Don: Yes. So it doesn't make sense to me, and I certainly do understand economics etc. But if there is a choice to be made, if there is a will to make a choice, then—

Mr Wiseman: My next question has to do with the advertising that—

The Acting Chair: And very quickly, Mr Wiseman.

Mr Wiseman: —Mr Arnott was talking about. I would think that because of the advertising the number of women who would be applying for shelter and help would increase because, fundamentally, if I'm right about my assumption here, it's that some women actually believe that somehow or other they are responsible.

That is not a correct belief, in my opinion, but when they find out that perhaps it isn't their fault and then they start to say, "It isn't my fault and therefore I should seek help," the advertising would lead to an increase in the number of women actually asking for help. Is that the case?

Ms Don: My answer has to be a rather wishy-washy one. The problem is that they're at 100% occupancy rate all the time. It's not going to make any difference.

Mr Wiseman: So you don't really know if you're getting more.

Ms Don: I think what the shelters are telling us is there are more phone calls, there are more requests for information, more requests for referrals.

But I think the other part of that answer is one of the concerns we've had from the beginning. It's exactly what you're asking: Are we going to be able to provide the services that we pretend are there by the advertising? I do think that the last few years the direction of the advertising hasn't been as strongly on women getting out if this is what's happening; it's been more towards men taking responsibility for their actions, and I think that's good.

The Acting Chair: Thank you, Mr Wiseman. Mr Phillips.

Mr Phillips: Does your organization represent all of the shelters in the province?

Ms Don: Pretty well.

Mr Phillips: And how many would there be?

Ms Don: We have 87 shelters. We have a few more that actually are still associate members, but they have only been open for the last couple of years.

Mr Phillips: That's essentially all of the shelters in the province, 87?

Ms Don: Yes.

Mr Phillips: And how has that grown over the last two to three years? How many new shelters would we have, just roughly?

Ms Don: Well, let me put it this way: When we first formed this organization in 1977 we had seven. By 1982, when we appeared before this government, we had I believe 22 shelters. Since 1984-85 there's been an incredible influx. I don't know if you remember; the family resource centres were opened at that time. There were 14 of those that all opened—was it 1986?—in 1986 or 1987. Since then and since 1989-1990, since the CMHC haven project we've had quite a number more opening, so that we're now at a total of—

Mr Phillips: A total of 87. Is that right?

Ms Don: Yes.

Mr Phillips: And just in terms of some idea for us of the kind of resources we're talking about—I know that in your report you said, well, that's for us to find out, but can you just give us some idea of how much money currently is allocated and what may have happened over the last four or five years to that, just so we have some idea of what we're talking here?

Ms Gregor: I don't know how much money is being poured into the shelter, to support shelters and second-stage housing programs now. I know that some shelters, as has already been stated, are operating with outreach workers, with court advocates, with public educators etc. Some are just operating with the bare essentials. In terms of how much it's costing now and how much we're proposing it should cost or how much money should be put in, I can't give you any solid figures.

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However, with more public awareness I think what needs to be clarified is that we do get more phone calls and we do get more requests to go out and do public education. We do have community women who don't come to the shelter but call us on our crisis lines, so the demands on

our service, as Trudy said, which people think is there—and it's not properly funded; we don't have the staff—the demands on the service increase. Unfortunately, I can't give you concrete figures.

Mr Phillips: Can you just give us the highlights of the alternative funding strategy, because frankly I'm not totally familiar with that.

Ms Gregor: Basically the alternative funding strategy spoke of minimum staffing levels at shelters and minimal services provided at shelters, and they include—and I have a list for you here—shelter and security for women and children, so you'd have the place where women can go, emergency shelter; crisis intervention and support to women during the time of crisis and period of adjustment, and that includes emergency transportation.

We have that emergency transportation system in Rainy River district where, if a woman is in danger, we have volunteers who will attend with the police at a safe place and bring that woman and her children to us. Not all shelters have that.

Ms Don: We don't have it anywhere else but in north-western Ontario.

Ms Gregor: There you have it. There's the answer. There's nowhere else other than northwestern Ontario.

Crisis intervention and support to children during the time of crisis and period of adjustment; follow-up support to the family in establishing a stable lifestyle in the community; outreach support and referral, including crisis telephone; public education as it relates to shelter services; administration of the program and finances; court support; housing advocacy.

It's a long list, and I can say with confidence that I don't think any shelter in the province has this unless it's doing heavy fund-raising, and that takes energy in itself. I guess I find it obscene that women and children have to fund-raise, that we have to fund-raise at all to support women and children. I struggle with that fundamentally.

The Acting Chair: You've got about two minutes, Mr Phillips.

Mr Phillips: The legislation of the provision of services, what did you have in mind there?

Ms Gregor: Just as we have the Child Welfare Act which protects children from abuse and neglect, we feel that for victims of violence, particularly female victims of violence, support services should be legislated; that shelter programs should not be discretionary, they should be mandated. Just like there's a universities act for every university in the province and a hospitals act for every hospital in the province, there should be legislation that supports the maintenance and enhancement of services through the shelter program for battered women and children.

Mr Phillips: Thank you.

Ms Gregor: You're welcome.

The Acting Chair: I thank you very much for appearing before the committee today. I know that we will be taking your presentation into consideration and we'll indeed make some recommendations coming out of the whole committee hearings. So thank you for appearing.

Ms Don: We'd like to leave you with our letters to Bob Rae. We had this out last fall at our November lobby, and I hope you all have had a look at it just for your enlightenment. These were letters written by women in shelters.

The Acting Chair: If you wish to be recorded, you have to go to a mike because Hansard can't pick it up.

Ms Gregor: I'm generally told I speak loud enough I don't need a mike.

These are the stories from the battered women themselves from across the province, and they tell you what they need. They tell you we need court support workers, we need outreach workers, and they tell you that the police need to charge and the courts need to deal with these matters, so that's in the women's words themselves.

The Acting Chair: Thank you once again for appearing before us.

MUNICIPAL ELECTRIC ASSOCIATION

The Acting Chair: The next group to come before the committee, invited before the committee is the Municipal Electric Association if they're present. If you could introduce yourselves for Hansard so that we can identify who is there as we go back over our records, it would be much appreciated.

Mr Keith Matthews: I'm just returning this person's purse.

The Acting Chair: What has been the practice is if you could keep it to about 15 minutes so that there's time for interaction with the committee it would be appreciated so that they can get their questions in.

Mr Doug McCaig: Thank you very much, Mr Chairman. I think that our president, Keith Matthews, just displayed the honesty and integrity that we have from our organization when he brought that purse back. I want you to recognize that.

Mr Matthews: But I've still got her wallet in my pocket.

Mr McCaig: Good afternoon. My name is Doug McCaig and I'm the chair of Ontario's Municipal Electric Association, also known as the MEA, and the chair of the Fort Frances Public Utilities Commission—that's just down the road from Atikokan. With me here today is Keith Matthews, our elected president, who is also the general manager of Brampton Hydro. We also have Tony Jennings, our chief executive officer, and he's here for intellectual support because he knows everything about our organization.

I want to start our presentation by thanking you for this opportunity to speak to you today. Given the condition of the economy, we feel it is very important you be aware of the views our members hold so strongly on the current state of Ontario's electricity system and the effect on the customers we serve.

I hope we can offer you some advice today that will be of benefit to both electricity ratepayers specifically and the economy in general. I'd like to pass it on to Keith Matthews at this time.

Mr Matthews: Thank you, Doug. Allow us to begin with a brief explanation of what the MEA is and who we represent. The MEA's members are the 311 municipal utilities that deliver 70% of the power generated by Ontario Hydro to 75% of Ontario's electricity customers.

Since the 14 municipalities banded together to create the Hydro Electric Power Commission in 1908, Ontario's public power system has evolved into the network that we have today. Each utility is headed by commissioners elected or appointed by their community to serve their community. This makes our members very aware of the needs of their customers, both residential, commercial and industrial.

In recent years we have seen many factors combine to drive up the price of electricity. But probably one of the largest single factors contributing to the financial problems currently facing Ontario Hydro today has been the interference by government.

I'm not singling out any one political party, but collectively and individually, these government interferences have slowly added to the cost of electricity through programs or policies designed to achieve objectives that were really not related to the delivery of electrical power.

It's our opinion that if Ontario Hydro is allowed to get back to the basics of wholesale electricity supply instead of being used as an agent of social policy, we'd all be a lot better off. There are signs that this is already happening. We hope that the appointment of such an experienced and independent person as Maurice Strong signals the government's recognition of these facts.

Given the length and depth of the recession, it's no wonder our customers are telling us that their number one electricity issue is rate increases—we're hearing that loud and clear. Ontario has historically enjoyed reliable electricity at a cost that's been lower than most other jurisdictions, but of course in recent years that edge has been substantially eroded.

We are here today to urge that each action the government may be considering for this year's budget be carefully evaluated in light of the tremendous strain Ontario's electricity system faces today. We're also here to suggest a specific strategy that could help improve the stability of our electricity system and hopefully increase the competitive edge of our province's industries.

Before I hand the mike back to Doug and he gets into the details of this strategy, I'd just like to make a couple of further points.

You may be aware that Ontario Hydro announced there would be a 7.9% increase in wholesale electricity rates for 1993. The actual increase for the cost of power to the municipal utilities wasn't 7.9%; it was an average of 8.2%. Yet the increases that our members are passing on to their customers this year averages only 6.9%. We've tightened our belts and we've found ways through various efficiencies—delaying projects and other means—to help our customers out. When you consider the fact that 80% to 90% of our costs are for the purchase of power from Ontario Hydro, which leaves us very little room to manoeuvre, then these achievements become even more impressive,

and for the same reason, please understand that this feat could not be easily repeated.

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At the same time, we've been urging Ontario Hydro to reduce rate increases, and under Mr Strong that organization has taken a number of unprecedented steps to reduce costs. They've already frozen hiring and cancelled some major projects, and Mr Strong is expected to announce even further spending cuts in mid-March. According to recent announcements by Mr Strong, \$1 billion must be cut from the corporation's \$7.4-billion annual operating budget to allow increases at or below the cost of inflation in coming years.

So the municipal utilities are doing their bit. Now Ontario Hydro appears to be responding to us and to customers across the province. It's now time, we suggest, for the government to take a turn in helping to reduce Ontario's electricity bills. I hand it back to you, Doug.

Mr McCaig: Thank you very much, Keith. I'd like to point out before I proceed with the formal part that just about everything that is being presented here has been presented to the government before by just about every one of our 312 utilities.

There are two areas of hidden taxation where rate reduction can easily be accomplished. I say "easily" not because I want to ignore the revenue shortfall that the Minister of Finance must deal with, but because these two simple decisions can be made in a straightforward manner.

The first area is the water rental charge. I don't know if you're familiar with it, but this is the fee the government places on the water that passes through Ontario Hydro turbines. The second is the debt guarantee charge that the government introduced in 1990. While there may be some value to this charge, there's no indication it's as high as the one half of 1% that's now being charged on the \$35 billion of Ontario Hydro's debt.

Combined, these charges represent more than \$250 million that's being borne by our ratepayers. I'd like to point out to you that \$83 million represents 1% on the electricity bill. If the government were to lift these fees, it would reduce Hydro's wholesale rates by as much as 3%. We think it would send the right signal to all Ontario Hydro's ratepayers that the government is willing to do its part to help keep Ontario competitive.

Finally, I should add that the MEA was pleased with the Ontario government's response to two issues: the federal GST and the recent market value assessment proposal submitted by Metropolitan Toronto. In both cases, decisions were taken that helped avoid placing an additional burden on electricity ratepayers. We appreciate the government's acknowledgement that there can be no additional costs, hidden or otherwise, placed on Ontario's electricity bills. However, the federal government and Metro Toronto have not forgotten these issues, and they may well be brought up again. We urge the government to stand firm on your positions on these matters.

Mr Chair, this concludes our formal presentation. We now welcome any questions that come from the committee. Thank you very much.

Mr Wiseman: Thank you for your presentation. I have a number of questions. Before I start, though, I sat on the committee that listened to the presentation of Metropolitan Toronto on MVA, and I think that one of the things that struck me about the Hydro issue, as well as the other corridor issues, is how counterproductive their thinking was in terms of those kinds of taxes, and to compound that in terms of the railways and hydro, to think that Metro Toronto could impose an assessment burden within its boundaries that would impact on taxpayers throughout the entire province, to me was not what I thought was in the spirit of what market value assessment or what the reassessment should do. I will tell you now that I will not vote for any market value assessment proposal that comes from Metropolitan Toronto to this Legislature that will impose a burden outside of Metropolitan Toronto in terms of having revenues and taxes and increased costs come from my constituents, so you can take that one to the bank.

The Chair: Mr Wiseman, stay on the subject, please.

Mr Wiseman: That is. It's right in their brief.

The next thing is a couple of questions in terms of costs. In my two municipalities, Ajax and Pickering, there are two: the Ajax Hydro-Electric Commission and there's the Pickering Hydro Electric Commission. I'm starting to see more and more people send me in notes and letters about "Why do we need two?" Both of them have built brand-new facilities, and they're saying, "Wouldn't it be more cost-efficient to have one?" I wonder if your membership is looking at perhaps that angle of cost-cutting.

Mr McCaig: Being the expert politician that I am, I'm going to deflect that question to our CEO over here.

Mr Tony Jennings: Thanks a lot. The current legislation and the past practice has built the municipal utilities around the municipal structure. There are cases, in Waterloo region, for instance, where the municipalities have gotten together and the utilities serve more than one municipality.

There have also been some studies done recently in some of the county studies that raise some concerns on the other side. The question is how remote you want the decision-making from the people who are voting for, or in some cases appointing, the commissioners, and how far you want to travel from your work centre. Northumberland, for instance, was talking about something to cover the whole Northumberland area. You either are going to build the same buildings and have them managed from a more remote setting with less local variation, probably, or you're going to have response times reduced.

There was a Hogg report done back in the 1970s, or what's called the Hogg report, which looked at it and could come up with no firm rules as to what the optimum size was. Certainly we have some small utilities that need a fair bit of support, but there are no easy answers. Keith may well, from direct experience—

Mr Matthews: Back in the late 1970s, in the region of Peel, there were some studies done under the Hogg report and there were some rules in the Hogg report. The studies looked at the alternatives: having three lower-tier utilities, Caledon, Brampton and Mississauga, or having a region of

Peel utility. From the projections of customers and costs etc it appeared that there were some marginal cost savings to the customer if you had an upper-tier utility, but they were so small, and the political will just wasn't there to implement that. Each municipality very, very strongly wanted to retain control over its utility.

The Chair: A real quick question. Mr Phillips.

Mr Phillips: Your recommendation on how you might improve the rates would cost the Treasurer \$250 million, and I think all of us appreciate the challenge that the Treasurer has in trying to manage the finances, and \$250 million is a fair amount of money. Realistically, there are relatively few new sources of revenue. I think virtually everybody has come before us and said, "No new taxes," and I think that might be your message, at least in some of the other lives you lead. What's your advice, then, if in fact the Treasurer can't raise more taxes. Is it that this is a worthwhile increase in the deficit, to take the deficit up another \$250 million, as it would be seen by your organization, that it's worth that amount of spending?

Mr McCaig: I think I'm going to answer that partially and then I'll pass it on to Tony, because I know he can add to it. Looking at it from the perspective of encouraging industry at this particular time, there's a great deal of concern on the part of industry in this province with the cost of electricity. I think you're all very well aware of the fact that last year Hydro Mississauga had a great campaign on about getting the rate reduction down, because it was losing industry because of the rates. Now, I'm not going to jump up and down and say it's all because of the rates, but there's a definite play in there.

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If you want more commitment on that, I would suggest you look to the northwestern part of the province where the paper mills are. This is the hue and cry we're hearing from them, about the cost of electricity. I realize there's a focus on taxation, but I can also suggest to you right now that there is more of a focus on the electricity rates. With that, I'll pass it on to Tony.

Mr Jennings: Let me try a slightly different angle on it from a personal perspective. First of all, to answer your question specifically, yes, I think our members would say that it's a good investment, at least on an interim basis. There are some signals that are necessary etc, but the supply of electricity is the only public service that consistently carries its own weight financially and has for years. It's illegal, under the legislation, for tax dollars to be used. It's similarly illegal at the municipal level for the revenues derived from electricity sales to be used for other purposes.

Electricity has to run like a business. It's also something that is increasingly an essential service in our world today and it's one that the local consumer, whether it's a business or a residence, has significant control over, so they can do what they can. One assumes that most of them have some sensitivity to that, particularly the large businesses that Doug mentioned that are worried about job loss.

Given that, as opposed to the general tax roll, the general debt, where there are quite a wide variety of options—none of them easy, I'm sure, but still a wide variety of

options that the Treasurer can look to for cost control—it seems easy from our standpoint.

Mr Phillips: Just a couple of questions: Of the \$250 million, how much of your revenue comes from industrial versus residential? The second question is sort of relevant, I hope. One of the issues on the horizon for us with Hydro and electricity is many organizations looking to generate their own power. This puts, I think, Hydro in a very tough spot. It puts the government in a tough spot and it's a tough one to resolve. I realize it isn't exactly on the budget today, but indirectly it is. I wonder if you've any advice for us on how you would—

Mr McCaig: Yes, we do. On the second question first, our particular organization is trying to negotiate right now on that very issue. We don't believe that in the province of Ontario at this particular time with the excess power, anything should happen on the NUGs, on the non-utility generation. But if it does happen, we would strongly recommend that it be open to bid to all the municipal utilities to put in for it so we make it fair and even. Also, it would be democratic principles at work. Those that could give the best deal would get it if there is an excess of power. We're in the process of doing this now. That's our position and that's the one that we're going to stay with, I think.

Mr Jennings: Let me quickly respond. The current situation, unlike a few years ago, is that we've got more power than we can sell, or Ontario Hydro has. Ontario Hydro was formed and still acts as a pool for the municipal utilities. So if somebody buys their power elsewhere—and no question, there are situations where they can get it cheaper—the rates for everybody else in the province go up. It's our belief that there's a lot of cost control that can be done first to bring it down, and once the economy picks up and we get back to the kind of economy we had a couple of years ago, then there will definitely be opportunities for examining other supplies etc.

Mr McCaig: About the question on how much—

Mr Matthews: I think it's about two thirds industrial and one third residential.

Mr Arnott: Thank you gentlemen for your brief. I share your concern about Hydro rates. I know many people in the riding of Wellington share that concern as well. You seem to be quite optimistic about the prospects for stability of rates if Mr Strong's planned cuts are able to be implemented. You said \$1 billion worth of operating budget cuts out of a present budget of \$7.4 to keep rate increases at the rate of inflation for the next coming years. Do you have any suggestions where Ontario Hydro would best be able to cut in terms of operating costs?

Mr McCaig: Do you want to handle that?

Mr Matthews: We have made presentations to Mr Strong's task force. We haven't been able to put any specific numbers on any of the suggestions we have given and, frankly, I don't know if our suggestions would add up to \$1 billion, but the variety of issues that we have presented, I think, have been listened to. Some of the examples that were given were to stick to the core business. On

a lot of the other functions Ontario Hydro traditionally has been responsible for such as the regulatory part of the business, the electrical inspection, the demand-management aspect of the business, maybe they should be separate entities.

Mr Arnott: Just over a year ago your association was very, very concerned about the planned demand-management initiative, \$6-billion expenditure over 10 years. Are you satisfied to the extent they've retreated from that rather ambitious goal?

Mr McCaig: I would like to point out a couple of things. You asked, does the MEA have some specific suggestions about how to reduce the operating debt and this sort of thing? I think we have had them for several years now and they've been at the Ontario Energy Board hearings for everyone to see. Unfortunately, we never got the necessary ear from everyone that we should have gotten.

We were suggesting, years ago, higher rate increases, and I'm going to quote it from our economist, "so our children did not bear the brunt of our mistakes." Unfortunately, ladies and gentlemen, we weren't listened to. The grandchildren's era is here, whether we like it or not. That is where the problem lies, that there was not enough of an ear being given to the people who really know the business. We represent 75% of the output of Ontario Hydro. I have to admit, and as chairman of this group this is the last presentation I'll be making on behalf of the MEA, it's always been neatly brushed aside. We've been given lipservice and I've seen it happen several times this year.

I have to say to you that the core of industry in this province is energy. If we have industry, we have jobs. The gentleman was mentioning taxation versus rates. The more jobs we have, obviously we're going to have more of an enjoyment on the taxation and the rates, but it disturbs me as an individual—and you are hearing from Doug McCaig from the bush, Fort Frances—that we do not, as a group, get enough of an ear from the government or anyone else. I honestly feel that not so much myself, but the group we have, the CEO and his staff, are much more the experts on energy throughout this great province than anybody else. I'll leave you with that.

The Chair: Time has expired. Thank you for your comments and your brief.

Mr McCaig: Thank you very much, Mr Chairman.

The Chair: Have a safe trip home.

Mr McCaig: I'm staying for a while.

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ONTARIO NATURAL GAS ASSOCIATION

The Chair: The next group we're going to hearing from is the Ontario Natural Gas Association. Would you come forward, please. I'd like to welcome you to the standing committee on finance and economic affairs. If you don't mind, just before we get started, would you introduce yourselves from left to right.

Mr Rudy G. Riedl: I'm Rudy Riedl. I'm vice-president, gas supply, for Consumer's Gas and I'm chairing the gas supply committee of ONGA.

Mr Bernard Jones: I'm Bernie Jones. I'm an independent consultant who's working on a kind of staff relationship with ONGA.

Mr Michael Bermon: My name is Mike Bermon. I'm senior vice-president, finance and regulatory affairs, at Union Gas. I'm also first vice-chairman of the Ontario Natural Gas Association.

Mr Gary Lowes: My name is Gary Lowes. I'm the senior director of finance for Centra Gas Ontario. I'm here as the chairman of the finance committee for the Ontario Natural Gas Association.

The Chair: The other gentleman back there, does he want to take a seat over here? Is he going to be involved with the presentation? Would you like to take a seat up here, please, and introduce yourself.

Mr Paul Pinnington: My name is Paul Pinnington. I'm the president of the Ontario Natural Gas Association.

The Chair: Welcome. We have a half an hour until 3:30. In that period of time, if you can leave some time at the end of your presentation for members of the committee to ask questions, we'll be starting off with Mr Sola as soon as we're done. You may begin.

Mr Bermon: Perhaps I could just give a few introductory remarks on behalf of the members of the association. We have prepared a brief entitled Increased Competitiveness for Future Prosperity, 1993. This document has been distributed to members of the committee. Mr Lowes has prepared an overview of the brief and he will take us through that in a few minutes.

By way of introduction, if I can be brief, the Ontario Natural Gas Association is an industry organization with over 330 corporate and individual members representing natural gas transmission, storage and distribution companies, producers, marketers and brokers, and individuals, all of whom serve Ontario's multibillion-dollar natural gas industry.

With your permission, I would ask that Mr Lowes now proceed to take you through the brief.

Mr Lowes: Thank you, Mike. This is the sixth annual brief on Ontario budget matters submitted by the Ontario Natural Gas Association or ONGA. Our primary focus continues to be the health of the provincial economy and the government's fiscal situation and public policies.

In last year's brief ONGA proposed a number of public and private sector actions to stimulate economic recovery. The main theme of our 1993 pre-budget brief is the urgent need to improve the competitiveness of the Ontario economy for future prosperity. Lower interest rates and the lower external value of the dollar will help stimulate the economy but they alone will not be sufficient to restore prosperity. Two additional requirements are increased economic productivity and public debt reduction.

ONGA has consistently stressed in past submissions the importance of raising productivity, a priority that's now widely recognized. For several years ONGA has warned that a slowdown in the Ontario economy would drive the budget deficit to well over \$10 billion unless actions were undertaken to control spending. The debt burden is already too high and is reaching crisis levels.

The Ontario natural gas industry is making a contribution to increasing productivity through conservation, efficiency and a more cost-effective use of energy. There exists additional scope for natural gas to accelerate economic recovery and facilitate sustainable development.

The areas we'll address today, and which are discussed more fully in the brief submitted to the Treasurer and to this committee on February 15, are:

- economic outlook with particular emphasis on the productivity problem;

- Ontario finances and the debt problem and strategies that could be implemented to resolve this problem;

- taxation, with particular reference to the topics addressed by the working committees of the Fair Tax Commission;

- energy and energy competitiveness and the role that the natural gas industry is playing and could play in ensuring the ongoing competitiveness of Ontario.

Turning to the economy, ONGA believe that the Treasurer's medium-term forecast of 4% growth for the economy is optimistic. The pace of recovery has been slow and there continues to be a great deal of uncertainty over future prospects. ONGA expects that sustained high unemployment will be a serious drag on the economy and we forecast that the Canadian economy will grow in the 2.5% to 3.5% range for 1993 and that real growth over the next five years will average 3% to 3.5% per annum in both the Canadian and Ontario economies.

The Treasurer would be well advised to plan on lower economic growth when assessing the affordability of expenditures. Key issues that need to be addressed are low productivity growth and high public debt.

In the past ONGA has stressed the critical importance of increasing the productivity of the Ontario economy to improve our economic competitiveness and to raise our standard of living. As shown on this table—and I apologize that it's not as clear and as big as it could be—Canada is losing ground in the area of productivity. The total factor productivity of the Canadian business sector has not grown at all since 1979. In comparison, other G-7 countries, with the exception of the US, have shown significant gains.

Clearly, Canada and Ontario must invest more in people, physical capital and technology in order to raise productivity and to be globally competitive.

ONGA has identified the following recommendations to increase productivity:

- keep to an absolute minimum the number of new regulatory measures that increase business costs;

- place a priority on private sector research and development and encourage more R&D in Ontario by foreign-owned firms;

- support measures to improve Ontario's energy security and energy options that lower energy costs and help the environment;

- continue to support worker retraining and skills development and work to secure improved federal-provincial trust and relationships in this very critical area;

- promote a positive and attractive environment for business; and

— examine whether or not enough is being done to promote Ontario-produced goods and services and to sell Ontario as a location of choice for new investment.

ONGA is pleased with the positive steps that have been taken by the government on research and development and innovation, including broadening eligibility for the R&D superallowance and revamped research programs. We are also encouraged by the funding for worker training programs. An adequate supply of skilled labour is needed to attract business investment. ONGA cautions that ongoing performance reviews and audits of these programs are necessary to ensure their goals are met. This is unlikely to happen without a higher level of federal-provincial and industry cooperation.

Increased investment must also be encouraged by creating a strong investment climate. While progress has been made, Ontario is still vulnerable on skilled labour availability, labour costs and incentives and is becoming increasingly exposed on high energy costs.

In summary on this issue, the Ontario economy is crawling out of the recession and the medium-term outlook is only for modest growth. Therefore, every effort must be made to increase sensible investment on worker and management skills, plant and equipment, R&D and infrastructure required to boost productivity over the long term and to create a more positive environment for business investment.

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ONGA strongly believes that Canada and Ontario have a critical problem with public debt. Sustained economic growth will not be achieved without substantial progress in reducing the debt burden.

As shown on this table, Canada's public debt ratio has risen dramatically since 1983 and is now totalling 50.9% of nominal GDP, the highest of all G-7 countries with the exception of Italy. Also, as this next table shows, Canada's total public and private international indebtedness as it relates to GDP is extraordinarily high at 40.4%. As shown on this table, Canada's indebtedness has reached unsustainable levels.

It is clear that we cannot go on creating budget deficits. The Treasurer has noted that economic recovery alone will not solve the province's financial problems. Based on the Treasurer's own economic forecast and current taxation policy, the operating budget deficit would continue to widen in the absence of spending cuts.

Last year ONGA recommended a budget aimed at restoring business and consumer confidence and which avoids tax increases. Business and consumer confidence is still low; therefore, we repeat our recommendations that the 1993 Ontario budget must avoid tax increases.

Tax increases would dampen economic recovery and result in net economic losses. ONGA is concerned that ad hoc expenditure cuts are insufficient to balance the operating budget. ONGA proposes the following measures to bring control over the mounting debt problem:

— a requirement that the operating budget be balanced within three years, with no net tax increases;

— a requirement that, once balanced, if the operating budget subsequently runs two consecutive annual deficits,

the level of operating spending be required to be automatically frozen until the deficit and any borrowing connected with it are eliminated;

— once the account is balanced, the setting aside of funds from operating revenues to pay off, over a 15- to 20-year period, that portion of the existing debt reasonably attributable to accumulated operating budget deficits;

— a requirement that a portion of budget revenues sufficient to retire debt incurred for capital investments be placed annually in sinking funds.

A commitment by the Ontario government along these lines would send a strong message and dramatically improve public and investor confidence.

The mounting debt raises a serious question of inter-generational equity. ONGA maintains that borrowing a portion of the funds required to finance capital spending on an economic and social infrastructure that benefits present and future generations is justifiable but that government borrowing to finance current operating spending is wrong.

To conclude this section, in light of only anticipated modest growth over the medium term, strong action is needed to eliminate the Ontario budget deficit, a necessary step to resolving the Canadian debt problem and avoiding undue hardship on present and future generations.

Turning quickly to the area of taxation, the Fair Tax Commission has received reports from all its working groups. ONGA wrote to the Fair Tax Commission in August 1992 giving the natural gas industry's reaction to reports on the corporate minimum tax, tax treatment of real estate gains, retail sales tax and goods and services tax harmonization and the environment and taxation.

At that time we argued, and we continue to argue, against a new corporate minimum tax and against a land speculative tax and we argued for greater harmonization of the federal-Ontario sales taxes and for balanced use of regulation and taxation in the achievement of environmental goals.

ONGA believes the case for another corporate tax is weak. Deferral of taxes through tax preference strategies can help to achieve socially desirable economic goals. Imposition of another form of minimum tax would water down the economic benefits of tax preference and discourage capital investment activities. ONGA understands that the Treasurer will shortly be issuing a discussion paper on the corporate minimum tax; however, ONGA firmly believes that on the basis of the evidence, the books should now be closed on this subject.

In the matter of real estate gains taxations, there may be some merit in the future federal-provincial review of the overall taxation of real estate. However, the remarkable reduction in property values over the last several years and sharply curtailed inflationary expectations surely place the taxation of speculative property gains at the bottom of the tax policy priority list.

In regards to retail sales tax and GST harmonization, ONGA has, subject to one caveat, agreed with the working group that base broadening should be an interim step to full harmonization of the taxes making compliance easier and reducing administrative costs. Our caveat was that residential

energy, which is a necessity like food and shelter, should not be taxed.

The Environment and Taxation Working Group of the Fair Tax Commission released its second report in December 1992. ONGA agrees with this group's observation that the primary purpose of environmental tax incentives and disincentives is to modify behaviour to achieve environmental goals, not to raise government revenues.

ONGA agrees with the "polluter pays" principle and that tax instruments should not be seen as substitutes for effective regulation and should be used to complement regulations. ONGA believes that Ontario should proceed cautiously in this area to avoid undesirable economic consequences. We agree that the creation of a special task force to begin to flesh out possible tax options could be a useful step.

On the issue of energy taxes, carbon taxes and ad valorem taxes, it is ONGA's view that the provincial and federal governments must strive to better coordinate environmental programs. Under no circumstances would it make sense for an individual province to go it alone and impose energy and carbon taxes. It should be noted that Ontario natural gas industry is very active in the area of energy conservation, which is good for the environment. The industry is developing more efficient technologies and is promoting natural gas vehicles and the use of natural gas as electricity generation.

With respect to local government taxation, the association is still reviewing the working group's recommendations. However, ONGA cautions against major reforms and property assessment pending more information on the impacts of fairness and on the economy.

ONGA's overall impression is that, with the exception of local government taxation, the taxation system in Ontario is working relatively well and is reasonably fair. Improvements on the Ontario tax system can be made; however, future changes must neither increase the overall tax burden nor impair the competitiveness of the provincial economy.

Ontario is a heavy energy user and secure supplies of energy at reasonable cost are essential for our economic competitiveness. ONGA believes that Ontario has entered a higher-risk, higher-cost era in electricity demand and supply.

ONGA, at the recently terminated Ontario Environmental Assessment Board hearing into Ontario Hydro's demand-supply plan, tabled evidence on the options that natural gas provides.

Load displacement gas-fired cogeneration can help companies and industries fighting for survival to stabilize and reduce their costs of electricity.

Load displacement non-utility generation will assist companies and industries to remain globally competitive, which provides stability in investment, jobs, income and tax-revenue generation.

Purchase non-utility generation and fuel switching to natural gas will help boost economic recovery by reducing costs. Ontario industries must have reliable electricity and other energy supply at reasonable cost in order to stay competitive.

The use of natural gas as a substitute for electricity has many benefits:

First, all of these natural gas options produce substantially lower emissions than coal-fired generation and produce no solid waste; they reduce the need for competitively damaging energy and carbon taxes.

Second, the gas options are highly energy-efficient and thus help to conserve energy by using less energy to produce power and heat.

Third, their availability on relatively short lead times enables electricity demand-supply imbalances to be corrected incrementally without the excess and waste of scarce human, material and financial resources associated with megasized electricity supply projects.

Fourth, energy consumers are given a wide range of choice of energy-conserving options to meet their particular needs and can choose the site-specific options where they meet these needs.

A key feature of gas options, while providing environmental and economic benefits, is that they can enhance Ontario's energy security by reducing demand on the Ontario Hydro system and by diversifying the fuels and technologies used in electricity generation.

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Overall, deregulation of gas markets has markedly enhanced the ability of the Ontario natural gas industry to help reduce the risks of electricity demand-supply and to help provide secure, reliable supply at the lowest feasible cost over the long term. The overwhelming response from the private sector to Ontario Hydro's initial request for proposals for non-utility generation is clear evidence of this.

For several years ONGA has documented the growth and potential of the natural gas vehicle market. It has been estimated that the NGV industry in the 1991-1998 time frame will contribute more than \$800 million directly or indirectly to provincial GDP and generate almost 15,000 person-years of employment.

ONGA cautions that the NGV market is still immature and continues to need government and industry support if it is to deliver the potential, economic and environmental benefits.

To conclude this section, secure energy supplies at reasonable costs are essential to Ontario's economic competitiveness. With Ontario entering a high-cost, higher-risk era in electric power, it is fortunate that a range of natural gas options are available that can reduce energy supply risk and lower costs. These natural gas options will provide substantial economic benefits to Ontario provided that government and regulators promote competitive energy markets and that government supports the development of NGV.

In summary, the outlook for the economy is for modest growth. Without substantial future gains in productivity, the Ontario economy will continue to lose competitive ground. Without concerted, trilevel government action to cut the public debt and reduce reliance on foreign borrowing, the investment required in plant and equipment to make gains and productivity relative to our trading partners will not be forthcoming.

The 1993 Ontario budget should avoid tax increases and a deficit/debt reduction plan along the lines of the one proposed in this presentation should be implemented. Major changes to the Ontario tax system are not warranted at this time. With few exceptions, fairness does not appear to be a substantive issue. The economy needs a period of tax calm. Natural gas options are available to help Ontario energy consumers lower energy use and contain energy costs, thereby assisting industrial competitiveness. Thank you for the time.

Mr Sola: Thank you for a very interesting brief. You make quite a few very profound statements that I think we all agree with, but I think you went through it so quickly that I'd like to ask one key question, and that is, how? I think you've skimmed over it, but on page 1, in the foreword, you say, "Two additional requirements" discussed in this brief "are increased economic productivity and public debt reduction."

I think we all agree with it, but I think we need a more detailed explanation. First to see whether it's feasible to implement. You know, quite often in this committee, we get a lot of proposals and then we are left to juggle a dozen different balls and try not to fumble any. On page 5 it says that ONGA recommends that the government propose and that the Legislature implement "(a) a requirement that the operating budget be balanced within three years, with no net tax increases." Again the question is, how, with a capital H.

Mr Jones: Perhaps I could begin the response. Let me preface my remarks by saying that if you were to take the existing debt levels of governments in Canada and project them for seven years to the year 2000, the public debt reaches approximately \$1 trillion. There is no sign, at the moment, that that trend is being reversed. A debt of \$1 trillion means that for every man, woman and child, the debt then is equivalent to something over \$30,000. That is a terrible burden to leave for future generations in addition to the burden that we're leaving for the correction of environmental problems and the demographic problem that's feeding through the system. Nobody understands yet the interaction between levels of wealth and the impacts of demographics on the demand for public services.

The point is that there's no flexibility left in this system to respond to the kind of major challenges that are going to be coming in the future. So what we've done, in looking particularly at the government situation, is to say that clearly something new is required. We're not experts in the operation of the Legislature and the government—that's your business—but we do feel there are some essential elements of a plan that, even if they're not exactly what we've said—and in some ways I think we'd be surprised if they were—we do feel that these constitute some basic principles that would have to be addressed in a kind of plan like this.

If you say, "How is it possible to cut \$3 billion to \$4 billion perhaps from spending for each of the next three years," we don't have the answer. There's nobody in this room who has the answer. The point is that it's going to be very important that over the next three years people begin

to find the answer, and it is going to mean effectively that members of society, hopefully with the most disadvantaged protected, are going to have to take less. Speaking for myself, and this is just a personal observation, I've seen an income effect in my own family which is quite dramatic, and it would not be inconceivable, for example, that instead of freezing salaries in the public service there would be cuts in salaries in the public service, cuts in salaries for teachers and so on.

It requires some pretty profound action. We're busy enough as business people trying to deal with the second issue of productivity, but we do say that the problem is that serious.

Mr Carr: I appreciate that and the comments, and as you probably know, the debt is even worse when you figure in factors like Ontario Hydro, which aren't included, and the unfunded liability of WCB, which is \$11.3 billion and it goes up \$100 million a month. When you add that all in, I hate to tell you what the number is, but it probably doubles it, so you're looking at different figures, but it will hit probably \$60 million for every man, woman and child, so it's even more discouraging.

The problem you've got, and I'll sum it up very briefly, this government got elected last time by saying, "We can have all the spending, but don't worry, somebody else will pay." The impression they gave is the corporations would pay a corporate minimum tax—as you know, we only get 7% of our revenue from corporations—and the rich would pay. But when the last budget came they put a surtax on anybody making \$53,000, because the people at the high end don't get you very much revenue. So basically, a lot of people thought we could have that spending.

In the two years that I've been here, I've seen a big change in this government's attitude towards spending, as well as in United States, all the way around the world. But when it comes to spending, how we need to do it is to change the way even this budget operates.

I wanted to see what you would think of something like this. Instead of doing what we do now, which is people coming in and presenting ideas, if the government, any government, was going to say, "We are going to spend, based on what our revenue projections are, to balance the budget, \$40 million, \$30 million, \$29 million, whatever it may be; now, Mr and Ms Public, you tell us how we're going to spend it," so the process isn't based on numbers last year with inflation but that we take a look at the bottom line, expenditures that we can afford, would you advocate that that's the way the government should do it? Should the Treasurer come out pre-budget and say, "This year the province, based on the revenue projections, is going to spend \$45 billion and now the public can tell us where we're going to spend it," and then worry about whether the cuts are going to be in what area? Would you like to see the whole way the budget process—and just very quickly to add, that's how Britain, John Major's government, ended up doing it last time—would you be in favour of a program like that, and do you think that would help, or do you think we're just skirting around the issue, not making the tough decisions, by doing that?

Mr Jones: The first point I make is I guess that government cannot abdicate its responsibility to effectively in the end make the hard decisions. The other thing is that it would seem to me that a minimum requirement right now is that spending is frozen for three years, the level of spending is absolutely frozen, which begins to address your point. That's one message that goes out and it says, in effect, that there will be no increase in spending and that position will be held until revenues catch up. It will take longer if the economy remains weak; it will take a shorter period of time if the world economy recovers and Ontario enters another boom period, but we don't know how long that's going to be.

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As far as the dialogue with the public, the government has been reaching out and it has had all kinds of discussions with various interest groups in the community. I don't know what kind of information they're getting back—I mean, I could speculate or guess, depending on where people are coming from. It'll sound naïve, but I think it really is almost kind of a job for the Legislature to focus on this problem and, with the government, try to work out a solution.

Mr Carr: One of the areas that—

The Chair: I'm sorry, Mr Carr. I have to go on. Ms Harrington.

Mr Carr: Oh. Thank you very much.

Ms Harrington: Thank you very much for your presentation. I think you really are looking at the heart of our economy, and that is productivity and debt reduction, and you're certainly not just dealing with your own interests but everyone's interests. I appreciate your steps to increase productivity. I think you're right on with all of those, the research and development, the training, the promoting of consumer confidence.

I'd like to zero in on what you have said there which says, "ensure energy security," and you follow that by saying "lower energy costs can help the environment." I think we really have to learn from the past, and I want your opinion on this. I think it's fair to say that 10 or 15 years ago we had industry probably coming to this Legislature or lobbying Hydro and government to get into megaprojects to ensure energy security in the future. That's the way things were thought of, probably, in those days; we must ensure supply for the future of Ontario. It seems to me now that there's a whole different look at this, and that is that smaller things help the environment but they're also good for industry, sort of cottage-type industry, and I'd like to have you address that. Has there been a complete change in thinking, and is smaller sometimes better than larger?

Mr Jones: ONGA presented evidence to the environmental assessment board hearing and to Ontario Hydro's demand-supply plan. I'm reading the latest document prepared by Ontario Hydro on the options available to it for reform, and it looks as though Hydro agrees totally in terms of the advantages that natural gas options have. They can be put on stream in much shorter lead times; they come in a much greater range of sizes, so that you can

have a better matching of supply and demand. If you forecast demand at a certain level and it turns out to be either higher or lower, you can quickly gear up, assure the lead time options, to fill or close down or reduce your supply. So it's much easier to balance things. If you get into the large megaprojects like Darlington, it takes so long to get them on stream that by the time you're well into that process, if conditions change, you're stuck. At least you're stuck when demand is on a downtrend rather than an uptrend. They're not the only arguments. Even on nuclear technology, Hydro is making a case that now it is able to build smaller units than before.

So I think from the point of view of the economy, it's important because you can diversify, you can put the power closer to where it's needed and you can cut the demand for transmission lines and that kind of thing and you can also, relative to coal, using gas, dramatically reduce emissions. So that's an additional advantage, and we have copies of that available to the committee if you'd like to have that evidence which could be helpful.

The Chair: Okay. Thank you, gentlemen, for your presentation. We've run out of time.

Mr Berman: Thank you, Mr Chairman.

PROPANE GAS ASSOCIATION
OF CANADA INC

The Chair: The next group to come forward, I guess being in close to the same business, is the Propane Gas Association of Canada. Would they come forward, please? I guess you could say you're brothers in business, then.

Mr René Chartier: Cousins only.

The Chair: Cousins only. Not that close a relationship, eh? I'd like to welcome you to the standing committee on finance and economic affairs. We have until 4 o'clock and in that period of time—my watch is a little bit slow here, so don't worry about that one up there. Perhaps you wouldn't mind, before you get started, introducing yourselves for the purpose of Hansard and members of the committee. You may begin.

Mr Chartier: My name is René Chartier. I'm director of government affairs for the Propane Gas Association of Canada, and our offices are located in Oakville.

First of all I'd like to thank Mrs Tonia Grannum and her colleague Monica Marshall, your staff, Chairman, who arranged this meeting for us.

My colleagues with me today are the president of Budget Propane from Aurora, Ontario, Mr Bob Callow; the managing director of the Association, Mr Bill Kurtze; and the president of Carling Propane, Mr Alex Goerk of Rexdale, Ontario. Mr Bill Kurtze will be our spokesman this afternoon.

The Chair: Okay, thank you. Go ahead.

Mr Bill Kurtze: On behalf of the Association and its 165 member companies, I would like to thank you for the opportunity of appearing before you today. We had the honour and privilege of appearing before, I guess your predecessor, or maybe certain of you last year, and at that time we provided a report card on the propane industry in the province of Ontario. I would say the report card for the

industry today is not too much different than it was a year ago, or for that matter, probably not too much different than it was in 1980.

In 1980, we saw some 3 billion litres of propane sold per year. Today, we see approximately the same thing. What's changed is the markets in which the product is sold. In 1980, sales were almost exclusively into the traditional heating-cooking markets stretched across the breadth and depth of this province. Today, fully 40% of the sales are in the auto propane market. In the last 13 years, this market has grown from essentially zero to the point today where there are some 170,000 vehicles that currently traverse Canada's roads; in excess of 60,000 right here in the province of Ontario.

In terms of our overall refuelling infrastructure, the last 13 years have seen industry spend upwards of \$200 million, putting together its refuelling and servicing conversion infrastructure, which today consists of some 5,000 outlets across Canada, and 1,700 here in the province of Ontario.

I hasten to add that the effort put forward by industry was not done alone. Governments have been, and I guess continue to be an integral part of the process. Federally to 1984, and even today here in the province of Ontario, a system of grants, sales tax credits, road tax differentials and certain research and development funds were put in place. These policies were enacted to assist this country and this province to reduce their dependence on foreign oil. Little did we know what the future held in store. What started out basically as a conservation program is today shifting to an environmental policy and could, I submit, become a major job creator and overall economic stimulant.

I submit to this committee that we are both at a crossroads. For our part, as Canada's number one and Ontario's number one alternative fuel, we must prepare for the future of propane as an environmentally friendlier alternative. This involves not only continuing our programs of developing vehicle and refuelling infrastructure technology which will allow us to meet ever increasing and ever more stringent environmental standards, but will also allow us to build a demand to a level sufficient to encourage original equipment manufacturers, be they vehicle manufacturers or after-market conversion equipment manufacturers to expand their program of building propane-powered cars and trucks.

For your part, we submit there is need to devise an act, a strategy, which will put in place an appropriate set of regulations, mandates and incentives to ensure a cleaner environment, while always recognizing the current economic constraints that exist in this province and this country.

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Our submission, Mr Chairman, committee members, proposes a method whereby both can efficiently, effectively and, as I said, in these tough economic times, we believe, at no incremental cost—and I repeat the phrase, no incremental cost—accomplish our collective goals. The assumptions surrounding the model that you will see in your submission when you have the opportunity to review it in detail are multifold. At the highest level, there are basically two assumptions. Firstly, what the model proposes is an alternative fuels proposal, not a propane pro-

posal. Secondly, there is a need to involve governments, primarily federal and provincial, but governments at all levels and all government departments, primarily energy, environment and finance. It is because of the involvement of finance that we appreciate and welcome the opportunity to appear before you today.

What I would like to do in the time remaining is to very quickly review the basis of that model, and then answer any questions the committee members may have. Firstly, we believe that it is not possible for any one policy or program to adequately handle all the emissions reduction needs of a single province or country. In an attempt to provide this committee with meaningful direction with respect to alternate transportation fuels, we have crafted a general policy framework, including specific goals which will allow this province to commence the process of solving its environmental transportation problems.

As a starting point, we have chosen the Canadian government's decision to limit greenhouse gases in the year 2000 to those levels emitted in 1990. We recognize that, particularly for such areas as the Golden Triangle and the Windsor-Quebec corridor, other emissions, including ground level ozones, are of equal or greater importance when compared with greenhouse gases. We submit to you that the recommendations in the model contained herein will provide reductions in those areas as well, and should a specific model need to be created, that can be done.

Suffice it to say that one of our basic assumptions is that that segment of an economy which contributes a problem should also contribute in the same proportion to the solution. When one looks at greenhouse gases and the transportation sector, it contributes approximately 32% of overall greenhouse gas emissions. It should therefore contribute a similar level to the solution. Mathematically, when one works through all the equations, what this equates to is that the transportation sector should contribute approximately 2.4 percentage points to the overall greenhouse gas emissions reductions.

How can this be accomplished? Studies are currently showing that alternative transportation fuels, particularly the gaseous fuels, are able to contribute up to 20% to 25% reduction in overall greenhouse gas emissions. Mathematically, what this equates to is that if we're to achieve the greenhouse gas emissions reductions that this province and this country are looking for and, secondly, if alternative fuels are to be the sole contributor to that solution, purely for the transportation sector you would need to convert, to change from gasoline to gaseous fuels and other alternative fuels, some 690,000 vehicles. Overall for Canada, this would equate to some 2.1 million vehicles by the year 2000.

What our model has done is to look at the various types of vehicles in the marketplace to determine whether or not that level of conversions is reasonable. We have focused on basically three areas: (1) government and government-controlled vehicles; (2) corporate fleet vehicles; and (3) the general public, because clearly it is only through involvement of all that we can achieve our objectives.

Particularly, as we said before, in this economic climate, where Canadians are struggling to recover from the worst

economic downturn since the Great Depression of the 1930s, many individuals and companies will not convert, even if that conversion is at no cost, requires no cash outlay and can be recovered from fuel savings.

If conversion goals are to be achieved, therefore, it is likely that conversion to alternative fuels will in some fashion have to be made mandatory. While we can support such a move, the support is based on the caveat that the strategy must be structured so as to place no undue financial burden on any individual or organization in question. Therefore, not only must conversions be mandated; they must also be accompanied by the most politically and economically cost-effective incentive possible.

What we've tried to do is develop a model and develop a series of recommendations which will in fact accomplish that goal. We have also directed the committee to examine not only alternative fuels and alternative fuelled vehicles, but the types of those vehicles. For example, when one looks at original equipment manufacturers versus after-market converters, when one looks at mono-fuelled vehicles versus dual-fuelled vehicles, we have structured an incentive program based on accelerating the rate at which those vehicles can be written off. We have developed a program which would focus on and direct people in those directions.

As I've said, the association has for some time been an advocate of an incentive system which would look at accelerating the rate at which individuals can write vehicles off for tax purposes. For companies, this could be accomplished as a straight write-off. For individuals, this could be done either as a reduction in taxable income or in the form of a tax credit.

Within the context of alternative fuel neutrality, we recommend the province of Ontario and this particular committee give serious consideration to a strategy which is harmonized with industry, the federal government and, for that matter, other North American initiatives.

As a strategy to improve the equity between existing alternative fuels, we have recommended a series of programs wherein the retail sales tax rebate currently in place would be the same for all alternative-fuelled vehicles. As a strategy for after-market converted vehicles, in association with the federal government, purchasers of after-market vehicles would be given a specific level of accelerated write-off, depending on the type of alternative-fuelled vehicle and whether it's mono-fuelled or dual-fuelled.

Thirdly, we would see the provincial government taking a lead in establishing and announcing these policies, not only by putting them in place with legislation but also by itself adopting a vehicle purchasing policy which favours mono-fuelled vehicles, which favours OEM-produced vehicles and which favours certain levels of after-market converted alternative-fuelled vehicles.

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Fourthly, as a strategy to improve the alternative fuels refuelling infrastructure we would also see, in association with the federal government, the province permit alternative fuels refuelling industries to accelerate the rate at which they can write off their infrastructure. This would not be of significant benefit to the propane industry. As we've said before, their refuelling infrastructure is currently

in place, but clearly if we're to achieve our alternative fuels goals as a province and as a nation, we're in a situation where certain other alternative fuels must further develop their infrastructure.

In conclusion, if I can leave you with two numbers I would like to leave you with the following: If we look in the province of Ontario and look at the model itself, we're in a position where on Table 13, which you can review at your leisure, we have provided a cost-benefit analysis which looks not only at the cost of accelerated write-offs in terms of the province's share but also at the additional provincial sales and corporate income tax which would be received as a result of this program. You're in a position where there's one number and the number is 0.81 as a total benefit. Undiscounted, the cost of this program, when one looks at the cost minus the benefits, is for all practical purpose a break-even.

The second number that I would refer this committee to is the person-years of employment which would be created as a result of working towards the objectives that we have set out. Over the period to the year 2000—and the model takes you to the year 2000—you could well see some 69,000 person-years of employment that are created. To develop the numbers on this—and we would be pleased, Mr Chairman, at some future point, if it was the desire of the committee, to give you the bases of all the numbers—we have used Statistics Canada's models and we see some 69,000 person-years of employment between now and the year 2000. Overall, we believe the model is an alternative fuels model. It is a model that is cost-effective for government. It is a model that will look at stimulating person-years of employment, particularly in that 18-to-24 age bracket which is most critical to this province's future development.

Mr Chairman, that concludes my comments, and we would appreciate any questions you may have.

The Chair: Fine. I was just looking at your chart on page 8, 1984. That was the year that I bought my propane vehicle. I think quite a few people were. Mr Arnott.

Mr Arnott: Thank you, gentlemen, for your thoughtful and detailed presentation. I'm sure many of the suggestions you've made will be of some appeal to the government's agenda.

I wanted to ask you something about the pricing of propane. At the present time, there's no government regulation of the price of propane. Is that correct?

Mr Kurtze: Neither at the producer level, the wholesale level nor the retail level.

Mr Arnott: But typically, in a given winter the price does fluctuate to some degree, does it not?

Mr Kurtze: That is correct.

Mr Arnott: Could you explain to me why that is the case?

Mr Kurtze: Yes. There are, I guess, basically two points: Propane is traded as an international commodity, not too dissimilar to crude oil. Its benchmark price, like west Texas intermediate crude oil, is based generally in two centres in the United States: Mont Belvieu, Texas, and Conway, Kansas. From there, you back off transportation

costs to Sarnia or to Edmonton. What you tend to see as demand increases, particularly during the colder winter months, is the supplies firming up substantially. You then tend to see increased demand and, under a free market system, you see a movement upward in the price. When one looks at the producer level, what you have seen in the past one to two months clearly across Canada, most specifically for your own purposes in Sarnia, is a movement upward in the price.

The second factor is this: Particularly at the street level, you have some 1,700 outlets here in the province of Ontario chasing some 60,000 vehicles so you're in a position where there's a high degree of competition that exists in the marketplace. Secondly, the majority of these vehicles are fleet vehicles, which have very rapid communication among them, so if the price moves at one location, very quickly that price is going to move at all locations. You see a lot of price wars because of the relatively large number of outlets chasing a relatively few number of individual companies, so there's a lot of downward pressure at the retail level. What you tend to see is a lot of price fluctuation with the minimums and maximums of that price fluctuation being the upward pressure put on based on high demand during the winter months and the downward pressure put on on the street level based upon price wars.

Clearly, the customer gets the major benefit from the protracted price wars that exist within the propane business. But that gives you your min/max and then from there of course the individual organization's price based on individual corporate pricing policies.

The Chair: I have to go to Mr Waters.

Mr Waters: My question, as a person who operated a propane-powered vehicle in a commercial setting, is temperature. I'm looking also at the people who are coming up behind you, which is the trucking association. As in a lot of these committees, people are going in different directions, but one of the problems that I used to run into was that, once it got cold my propane vehicle didn't work unless I took care of somehow the tank and the supply route to warm that up. But the second thing was the loss of power that I suffered in my vehicle, and it was a gas-powered vehicle prior to that.

I'm looking at propane, because propane is a lot cleaner fuel than gas and probably diesel. Is it viable for heavy equipment operations or, let's say, a coast-to-coast hauler?

Mr Kurtze: At this point in time, and with due deference to the gentlemen who are sitting behind me—

Mr Waters: They haven't even smiled.

Mr Kurtze: I don't have a mirror where I can see.

But at this point in time, there has been some experimentation done with the heavier diesel engines, and I would say that to date the technology is not there where you can, on an economic differential—and recognize that with alternative fuels and propane, the main reason is economics that people change from one fuel to the other—based on economics, at this point in time I would say no. Clearly, there is research and development being done to

try to make the engines so that you can do it economically, but right now I would say no.

The Chair: Make it a real short one.

Mr Waters: If we were to take your discussion on alternative fuels and infrastructure and allowing people to put it in and giving them fast write-offs—let's look at hydrogen as an alternative fuel. If we did that and allowed that infrastructure and helped people put it in, would that give us the type of power and would that be more applicable?

Mr Kurtze: Hydrogen is still in its infancy, and I think there's a considerable number of problems. The one benefit you have with propane is it's here, it's now, it's today; it can start making the contribution that's necessary. Hydrogen may well at some point in time in the future be something that's viable. At this point in time, like certain other alternatives—batteries and things along this line—it's not nearly at a stage where it can start to solve the problems that we have both environmentally and economically. It can't do it today.

Mr Bob Callow: If I could just add to that point, I wouldn't like it to be left on the table that there's a loss of power in vehicles with respect to propane. It has to do with the design and the technology, and it's certainly come a long way since perhaps your conversion was done.

I would also note that in the US there are a lot of people in the trucking industry who operate in a fashion we would not recommend, but they use it to increase the power of their line haul trucking installations. I would say that that's not something we would recommend, but certainly that's something that they do; so from a power point of view it's there.

Mr Kurtze: Technologically, liquid fuel injection will do that for you. Secondly, it's got an octane number that's 100-plus as opposed to 89 to 92 for regular to premium.

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Mr Waters: This is for charging with propane?

The Chair: Okay. Well, when I had mine converted, I think they said 15% less power, and the thing is that I went to a V6 instead of a four-cylinder to give me the extra power. I think you lose 15% in mileage, but when it's figured out it's about half the cost of gasoline. But that was 1984.

Mr Kurtze: And you're seeing—just one more, Mr Chairman—liquid fuel injection starting to develop, and with liquid fuel injection as opposed to gaseous fuel injection—take propane injected as a liquid—you'll see a disappearance. I would say you're probably more in the neighbourhood of 5% today, and with liquid fuel injection you could probably see that disappear. In fact, I think, as this gentleman has pointed out, it will be better than.

Mr Solá: I'd like to refer to page 2 of your executive summary, the second paragraph, where you state: "If conversion goals are to be achieved therefore...ATFs will have to be made mandatory, at least for government, institutional and corporate fleet vehicles." The next sentence states that, "The association can support such a move...based upon the caveat that the strategy must...place no undue financial hardship on the people or organizations in question."

I'd like to ask you how you would achieve this. I would assume if an institution or a corporation had some financial hardship the government would pick up the difference. Now, if the government finds itself under financial constraints in the conversion, how would you solve that problem?

Mr Kurtze: I think, overall, when we looked at the model, what we said was this: Using an accelerated write-off—and you can see when you look at the model in detail—you should be able to solve that problem, because depending on the rate at which the number of years over which the individual can write the vehicle off, you can remove that financial hardship from the individual.

So, for example, if you went into the leasing market and leased the vehicle, that accelerated write-off would then go to the lessor; that saving could be passed through to the lessee; hence you would be in a situation where you would not have undue financial hardship.

I guess our view is to create an environment which, when created, will let business do what it does best, and that is to sell its product and to create the employment and tax results from that sale of the product. When you look at government specifically, how government would do it, we believe government should take that leadership position in demonstrating that, in fact, it is party to its own policies by converting some of its vehicles. We clearly recognize that government has no ability to write off from a tax standpoint, because it does not pay tax; ergo, you can't give yourself a tax reduction.

We do, however, believe that in order to sell its policies a government should be in the position where it supports those policies through its own efforts. We believe the fuel savings that governments will receive will more than pay for the cost of its conversion to the alternative fuel.

You can't dividend government; you can't give it a tax incentive, because it doesn't pay any to begin with. But you can give it the fuel savings the same as everybody else.

The Chair: Okay. Time has run out. I hate to cut you off, but we have Mr Bradley coming up from the Ontario Trucking Association. Maybe he's singing from the same hymn book you are. You're welcome to stay and listen to the next presentation; maybe the clerk's got an extra copy here. You might be interested in recommendation number 5 on page 4. I'll just tell you that, if you can't stay around that long.

Mr Kurtze: We'll ensure that we do.

ONTARIO TRUCKING ASSOCIATION

The Chair: Mr Bradley, and your associate, could you come forward, please.

Mr David H. Bradley: Just me today.

The Chair: Oh, just you, eh? I thought you had someone there to back you up in case you didn't have all the answers.

Mr David H. Bradley: Well, he's just going to see who comes in behind me. I have to say that with the price of fuel running where it is, I had to come alone today, and

the rest of the guys had to stay back at the shop looking after business.

The Chair: Did you bring your violin, too? I'd like to welcome you to the standing committee on finance and economics. You've been here enough times that you know how it works. You have a half-hour. In that half-hour you may have your presentation and leave some time for the members of the committee to ask questions. As you know, they're eager as beavers to ask you questions. So you may begin.

Mr David H. Bradley: I look forward to that, and thank you, Chairman, and members of the committee. You know, when you draw lots to attend these meetings you hope you don't get the 4 o'clock slot, because it usually slides into closer to 5 o'clock and everybody's exhausted.

You have our brief. I had spent a considerable amount of time putting together a presentation that was spot on 15 minutes, but I'm going to scrap that and just talk to you today about where I see things. In my comments I'm going to try, even though I'm obviously here from self-interest and representing a specific industry, trucking, to put my comments into the context of broader overall economic activity, and I think we're somewhat qualified to do that for a couple of reasons.

One is that trucking is a derived-demand industry. The level of activity in our industry really reflects overall economic activity in the province. We're also a pretty good leading indicator of economic activity. Our industry is usually the first to go into recession and one of the first to come out of recession as well, so you can usually gauge what's happening in the overall economy by what's happening in trucking.

I guess, as a starting point, yes, I have been here before, and I'd have to say that I would classify a lot of what I have to say this year as *déjà vu*. I seem to have been saying it before, and I don't think that there's been enough change, really, in the overall activity levels in the economy and there obviously hasn't been a change, at least on the improving side, with respect to the government's fiscal situation. So that constrains a lot of what we may or may not be able to do.

One thing that is slightly different is that I'm able to come to you this year and say that things are getting better in our industry, and I think, as well, getting better in the economy, and one is a reflection of the other. Before we pull a Statscan and say that the recession is over, I would urge a high degree of caution. The kinds of improved activity levels that we're seeing in our industry are very choppy, very uneven and very tenuous. The old benchmarks don't apply any more. What was a good month necessarily isn't a good month now, or what was a bad month may be a good month. We really need to still put some more months behind us to be able to say or predict whether we're on an upward trend or a downward trend, but things are in general—it's difficult to generalize in our industry—somewhat better this year than last.

However, that has not as yet been translated into any sustainable improvement in the financial performance or prospects for the industry, and to show you what I mean by

that, in 1992, the operating ratio in the trucking industry—which is expenses over revenues, which is something we track—was an even 100, and that's before interest and taxes. What that says is that for every dollar we were earning in revenue, we were spending, so nobody was making any money.

The improvement this year, for the first half of 1992, which is the only publicly available data right now, shows an operating ratio of 99. One might argue that's an improvement, but obviously that means that in general the industry in Ontario is still running at a loss and the financial situation remains perilous.

Against that backdrop, we've tried to come up with some proposals for the budget this year that will not only impact prospects in our industry, but first, we think, impact prospects for the economy, which are important. We set a number of objectives in developing our budget proposals, but the primary one that we set, and we think that the government should set this year, is to build confidence and to make the recovery that appears to be under way sustainable. It is very shaky right now and any ill wind could blow it back in the opposite direction.

We need to have the consumer participating in the recovery that's under way. We won't have sustainable recovery if we simply depend on exports or the American consumer to get the job done for us. We have to start building aggregate demand here and that has not yet happened. I think people are still very, very concerned about employment and whether they're going to have a job a few months from now.

In trucking over the last three to four years in Ontario, we estimate that we've lost about 20,000 jobs, and the improvement in activity levels that we've seen to date have not brought very many, if any, of those jobs back.

We also felt that the budgetary proposals or recommendations for this year should enhance the competitiveness of Ontario industry and of the Ontario economy and not detract from it, should enhance productivity and should be fiscally responsible. The government is in a fiscal strait-jacket. We recognize that. We don't want to debate how we got there and what not. The fact is we are and we've got to get ourselves out. That doesn't mean we should stop spending altogether, but we think that we have to look at where we're spending and make sure we're getting the biggest bang for the buck for the citizens of this province.

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That's something that is no different than any business, any family or any individual in Ontario has had to do over the last few years. We've all had to tighten our belts and we've all had to cut back on certain things and make sure that we're still putting food in our bellies and shelter over our heads. I know the Treasurer has some programs now under way in that regard and I'd urge you to carry on.

I think it's really interesting, coming from a private sector industry that's had its brains blown out in the last few years, to see with those who have survived this period when they really had to put their nose to the grindstone just how efficient and how productive they could become. I don't think the government's efforts yet—particularly when I understand that the spending forecast for this year

is going to be 4.8%. I don't know that there are many households in Ontario that can say they can increase their spending 4.8% this year. So I still think there's a lot of work to do to look at how we're spending money.

Finally, obviously I think the budget proposals have to be socially responsible and consistent with the social agenda that Ontarians wish to see in terms of the environment, employment and those kinds of things. I categorized our proposals in three areas: what to avoid, what to introduce and what to revisit.

In terms of what to avoid, and I would say this is our chief recommendation to the committee and to the government this year, no new taxes; no tax increases. We recognize the fiscal problem the government has got, but this is not a political issue. You can look at all the grass-roots tax movements that have started up in the last few years, some of them even within our industry, but it's a fundamental economic issue.

People cannot dig any deeper into their pockets. There is no scope for further tax increases, either on business or the consumer. If we want to sustain the recovery, if we want to assure we have recovery under way, we can't snuff it out, and we can't avoid risking snuffing it out at this point. That would be our chief recommendation to the government.

In our brief, we provide some numbers, and it's interesting to note that over the last several years the growth in taxes as a percentage of budget has far outpaced spending on food and shelter, and it is really, I think, a dangerous thing for us to be continuing to follow down that path.

Specific to trucking just for a moment, as an aside, there are a couple of new taxes that are being talked about in a variety of forums, whether it be the Ontario Round Table on Environment and Economy or the Fair Tax Commission. There's been some attention paid to carbon taxes and to weight distance taxes on the trucking industry. I don't think we have the time today to debate the tax policy issues surrounding that, but there are some very real ones. Once you cut away the rhetoric and what not, I think the government has to address before it takes a serious look at those types of taxes—also, here and now, in this year, given the competitiveness situation our industry faces and the economy of Ontario faces, I think it would be very unwise for Ontario to proceed down that track at this time.

In terms of what we should do, one can look at the tax side of the ledger and that's only one side. There's the benefit that Ontarians get in the programs. The treasury department can bring out all kinds of studies which show that for Ontario corporations and Ontario individuals, our taxes are broadly comparable to our competition and ta-da, ta-da.

Rather than get into that, we are prepared, and always have been, as an industry, to pay our fair share. We think we do despite what some of our critics might say. But we've gone out on somewhat of a limb this year, and we proposed to the government late last year that we were prepared to support the introduction of highway tolls for new construction on new projects, provided that certain conditions were met.

There would be an alternative highway, the tolls would come off as soon as the construction is over, the funds would not go to general revenues and they would be targeted specifically to important projects like Highway 407. We're pleased that the Premier and the Minister of Transportation, a couple of weeks ago, made that announcement. From what we've seen of the text of their speeches, we think our conditions have essentially been met. We only hope that over the long run, those conditions will be followed through on and this will not be viewed at some point as another cash cow for this government or any future government that might come along.

In addition, we think that some of the things that would help the trucking industry could be more broadly applied to industry rather than the hammer and penalty approach that's been brought forward on certain things, or the insatiable desire for revenues leading to certain types of tax increases.

We think—and we think it's consistent with Keynesianism and good economics or whatever else you want to call it—that right now industry needs incentives to invest. In our industry we're falling significantly behind the eight ball with respect to our US competition where they have faster depreciation rates, something the previous group was referring to, and our equipment is aging out on the highways. If the government is really serious about wanting to get newer, more productive, safer, more environmentally friendly equipment on the highways, then it needs to work with us.

We think we need to look at the restoration of investment tax credits, accelerated depreciation on certain equipment, and we think that a measure that was introduced during the 1981-82 recession, a temporary exemption from the retail sales tax on certain manufactured goods, would be warranted now, and would not only assist our industry as a user but also increase aggregate demand for the manufacturers and distributors here in Ontario.

While we've done no study of it, we would argue that the tax revenue loss that you might have occur from that would be more than made up. Some people in our industry might actually start paying some corporate income tax, because they might actually start showing some profit again. That's a difficult choice when you're looking at the fiscal imbalance the government's got, but we think we need to do something to stimulate economic activity.

In terms of some things to revisit, you shouldn't be surprised that I'm coming to you again today to argue that the government of Ontario, for competitive and fairness and equity reasons, should revisit its decision of a couple of budgets ago to increase the diesel fuel tax by 31.5% on our industry at a time when it can ill afford that, and there's really no scope for absorbing that kind of a cost increase. I've never bought that this was an environmental measure. It certainly hasn't had any beneficial impact on the environment. It was a tax grab. I think we all know it. We think it's never too late to address that, particularly given the tenuous situation we still find ourselves in.

I'd also point to the fact that Quebec seems to have recognized that. Quebec seems to have recognized the need to maintain a domestic transportation industry. It was

just last month or the month before that government announced a 2.2-cent-a-litre reduction in their diesel fuel tax, which now leaves Ontario in the unenviable position of having the second highest diesel fuel tax rate in North America after Newfoundland. It's two to three times our rate here, compared to what it would be in the neighbouring US jurisdictions that we have to compete with. You recall that the increase was introduced in two stages, because the Treasurer was cognizant of the fact that our industry was in recession, so he wanted to stage it to lessen the blow. Well, we're still in recession, and the blow has not been lessened at all, and we'd like that revisited.

In addition, we're completely disappointed with the Ontario tire tax. It's a sad day to have to pay \$5 for every tire and have to pay an additional \$7 to \$12 to have the thing disposed of. I don't think there have been more tires strewn along the sides of Ontario's highways than there are now.

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We're very disappointed at the lack of action that's arisen out of the scrap tire task forces and whatnot that the government has set up, and very little of the funds that have been collected—about \$40 million a year—are actually spent on resolving that problem.

As a commercial transportation entity, we're also disappointed that our industry pays the tax and the commercial airlines, which we have to compete with in part, do not pay it for the tires on airplanes, that tires used in production machinery are not required to pay the tax, yet we're an essential part—we provide the distribution part of the manufacturing process. Without trucks, the manufactured product doesn't move, and that concerns us.

We think from a tax policy point of view where equity and fairness is supposed to be one of the tenets of any tax policy, there's a good argument to be made for the trucking industry to be exempted from that tax.

Notwithstanding that, you might be interested to know that we recently obtained a legal opinion which clearly indicates that the tire tax is constitutionally invalid. When the provincial government introduces the tax—the act clearly says it's a tax on consumption—in an industry like trucking, you're also taxing the consumption that takes place outside of the province of Ontario. There's no prorating of the tax, and that is unconstitutional. The province does not have the power to do that, so again we would argue that the application of that tax to trucking, and frankly to motorists at large, is not constitutional and therefore we think the government really has no choice but to rescind it.

I note as well that in the Ontario Fair Tax Commission report looking at environment taxes, the authors of that report also chastised the government for the performance on the tire tax and felt the moneys weren't going to what they were supposed to go to. It's too bad. I know you need \$40 million a year, but when a tax is illegal and unfair, we think something needs to be done.

In wrapping up my comments, it is déjà vu, but we have another chance to set the economy on the right track. If the economy is set on the right track, our industry will benefit as well. I look forward to this year's budget. We

look forward to the kind of measures on the spending and on the tax side that will stimulate economic activity, allow the province to move forward again and create jobs and create taxpayers. That's the way out of this fiscal mess. We're hoping for a better 1993 and a much stronger 1994 as a result.

I thank you for listening to me and I welcome any questions you might have.

The Chair: Mr Dadamo.

Mr Dadamo: Thanks. One of these days you'll say that right.

Mr Bradley, thank you; always outspoken and very charismatic. As a former parliamentary assistant to two ministers of transportation, we've been together several times.

I know that you touched on tolls. I was waiting for you to, but when I asked to ask the question, you hadn't yet touched on tolls. I know it was announced in the last month or so. Do you want to elaborate a little bit more on highway tolls in this area.

Mr David H. Bradley: One thing we don't want—this is why I say we went out on a limb—is new taxes. The government of Ontario is already taking about \$800 million more a year in road-related taxes than it's spending on the highways, so we believe the money is there to look after the system that's already in place in terms of maintenance and expansion. But at the same time, we're realists, and with some self-interest we recognize that to wait 25 years for Highway 407 was just absurd.

The economy could not afford that. Anyone who sits on Highway 401 in the morning recognizes that. There was a study by Metropolitan Toronto a couple of years ago, in the late 1980s, which indicated that the costs of congestion in Metropolitan Toronto were about \$2 billion a year. This is on goods movement alone, and that's not something we can afford if we think we're going to be able to compete with the Americans and the Mexicans over the longer term.

At one time, Ontario's highway system was a jewel and gave us a competitive advantage. We've lost that competitive advantage now when you compare it to the interstate system. We said: "All right, we've got to look at it a different way. We're prepared to pay so long as it's targeted to a specific project and to accelerating the construction of that," and we'll be quite happy if we see Highway 407 by the year 2000, which is what the Premier indicated the timetable would be.

Mr Dadamo: It'll make some sense that some of the American truckers who will use this particular area will be paying some taxes too by way of tolls.

Mr David H. Bradley: Yes, it will be a user-pay system.

Mr Solá: You've touched on the fact of your competitive position and that you're afraid of additional taxes affecting that, but I'd like to ask how you stand right now competitively vis-à-vis Quebec, which you mentioned in your brief has taken measures in regard to its tire disposal or something. With the reduction in the value of the Canadian dollar in comparison to the US dollar, I think that

should have helped you in that regard, and maybe also your competitive position in comparison to Manitoba.

Mr David H. Bradley: A competitive position involves a lot more things than taxes, as you can imagine. I think we're broadly competitive with the other provinces. Compared to the United States, though, there are some great differences. If you compare it to New York or somewhere like that, again, on balance we're not in too bad a position and the reason is, quite frankly, the US social security and health care costs are so exorbitant that they outweigh any of the advantages they might have on depreciation, fuel tax and the like. But that's not where our competition comes from; our competition comes from places like Arkansas, Mississippi and the right-to-work states in the south, and there we have a competitive disadvantage and a significant one.

You raise the issue of the dollar. Yes, the correction in the value of the Canadian dollar has been the single most beneficial thing that has happened to our industry in a long, long time, and it has worked to narrow the gap. It's not closed the gap. The people we go up against, the top two or three US carriers, are the size of the entire Canadian trucking industry, and therefore they have some pretty formidable economies of scale they can throw at us. The dollar has had a significant beneficial impact.

There is something else I caution the government on. When you talk about the US, Clinton, the new president, has introduced a series of proposals for increased taxes. I would caution the federal government of Canada and any provincial government against thinking that if he raises his taxes, they will close whatever modest gains we might get by raising our taxes here. I think that would be a disastrous policy. All the Clinton proposals will do is narrow the gap and I wouldn't want to see that taxed away. We need to be competitive.

Mr Arnott: Thank you, Mr Bradley. I believe you said that your industry has lost 20,000 jobs since the recession, approximately.

Mr David H. Bradley: That would be our estimate, yes.

Mr Arnott: You said that you employ about 200,000

Mr David H. Bradley: About 200,000.

Mr Arnott: So that's a 10% loss.

Mr David H. Bradley: Yes.

Mr Arnott: How much of that loss can be accounted for, would you estimate, through the recession versus American competition?

Mr David H. Bradley: That's very difficult. We had significant job losses post-1988-89 when we entered into the deregulated environment and that was accentuated by the recession. I can't tell you whether it would be half and half, or whatever, but we were hit with a double whammy. We had the supply-side shock of deregulation and then that was followed by the demand-side shock of the recession. It's very difficult and I couldn't begin to pretend to separate the two.

Mr Arnott: Your organization is part of the better roads coalition that's been advocating toll roads for a number of years now.

Mr David H. Bradley: With conditions.

Mr Arnott: Right. Do you trust the government to maintain those conditions?

Mr David H. Bradley: Everything they have indicated to date, we're satisfied with. As I say, this is not a partisan statement at all, but I would urge anyone who might be sitting in government in the future to heed the conditions that have been put forward.

The Chair: Time has run out. I'd like to thank you, Mr Bradley, for appearing before the committee.

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ONTARIO HOME BUILDERS' ASSOCIATION

The Chair: The next group to come forward is the Ontario Home Builders' Association. Would you come forward, please. Mr Kaiser, you can talk to two members from Niagara, since you didn't get the meeting at the office, and Peter's downstairs; you can talk to him after. You'll have three of them. Okay?

Mr Stephen Kaiser: Thank you, Mr Hansen.

The Chair: I'd like to welcome you to the standing committee on finance and economic affairs. We have until 5 o'clock. In that period of time, after your presentation perhaps you can leave some time for questions from the committee. If you don't mind identifying yourselves for the purpose of Hansard and the other committee members, you may begin after that.

Mr Phil McColeman: Good afternoon. My name is Phil McColeman, and I am actually a renovation contractor from Brantford, Ontario, and also president of the Ontario Home Builders' Association. With me is Stephen Kaiser. Stephen is a home builder from St Catharines and is first vice-president of the Ontario Home Builders' Association.

I'm going to briefly describe the state of the housing industry in Ontario and then outline our main concerns that the home building industry wishes to see addressed in the upcoming budget. When I'm finished, Stephen will talk about some specific steps we believe the Treasurer can take. Our remarks will last for about 15 minutes and hopefully we'll have plenty of time for questions.

Four years ago, our industry was building nearly 100,000 housing units a year and creating jobs for close to 300,000 people. For the last two years, we have seen our industry building a little over half that number of houses. As a result, somewhere around 150,000 jobs have been lost. As someone who's trying to keep a small company in business, I'd like to be able to sit here today and say we could see some light at the end of the tunnel, but I can't do that.

The other sectors of the economy are beginning to show some early signs of recovery, but the housing market is weaker now than it was a year ago. I direct your attention to the table on page 4 of our submission. There you will see that for the summer months of 1992 we had the lowest number of starts of any summer in the last four years. The market seemed to be improving in the early part

of 1992, but when interest rates went up in the late spring, the increase killed off our recovery. Rates came back down in July, but the new home market never responded.

This introduces our primary concern, which is the size of the provincial deficit. The housing industry is very dependent on low-cost money or capital. The cost of money affects both the demand side and the supply side of the industry. On the demand side, mortgage rates are an important factor in determining the strength of the housing market. Rates go down; consumer interest goes up. Rates go up; consumer interest goes down. It's that simple.

On the supply side, our industry carries very expensive inventories for long periods of time. A builder will have to finance building lots during the time he or she is marketing and actually building the houses. A developer will have to finance land holdings for even longer periods of time. Raising interest rates even a couple of points can add tens of thousands of dollars to the cost of a serviced building lot, and at the margin it can affect the economic viability of the project.

This is why we are extremely concerned about the size of our provincial deficit. Just last week, the Treasurer acknowledged that the size of the deficit could affect the province's ability to raise capital in bond markets. I can assure you that these difficulties will be felt just as acutely and even sooner in the housing industry. An operating deficit of \$10.9 billion, or whatever it really is, is too high. A deficit of \$9.9 billion is too high. You can't keep deficit financing one fifth of your operating budget year after year and expect to stay in business.

Just to summarize, before I turn things over to Stephen, here are the key points that I've made. We see a housing market that's even weaker now than it was a year ago. We see a set of economic stimulants for the housing industry, namely, the 5% down payment and RRSP provisions, along with lower interest rates and lower prices, that are going into their second year and thus will not be as effective as they were in the previous year. We see additional problems on the horizon if the deficit cannot be brought down to more manageable levels.

Stephen is now going to talk about some of the things that we think can be done to address these problems.

Mr Kaiser: Good afternoon. Phil noted two things that give us a sense of direction in terms of what the budget should try to achieve: One is that economic stimulants for the housing industry might be getting a bit stale; the other is that the current size of the deficit threatens the availability and cost of financing. If you only had to worry about the deficit, life would be a bit easier; at least you'd have more choices.

But the fact that stimulants for consumer demand are getting used up rules out tax increases. Any more erosion of consumer buying power will kill off any chance of a recovery. This leaves you with spending cuts. We are not experts on every area of government spending, but we can tell where close to \$1 billion a year is being wasted in housing; this is in the non-profit housing program.

Our proposal is to immediately replace the non-profit housing program with a system of shelter allowances. To see how that would work, let's consider a single person in

Toronto who is making \$18,000 a year. The average subsidy for non-profit housing units in Toronto is \$15,000 a year. The average market rent for a one-bedroom apartment is \$609 a month. If a person is making \$18,000 a year and rents one of these units, he or she would spend a little over 40% of his or her income on housing. An annual shelter allowance of \$2,000 would bring that figure down to 30%.

Now what do you get for \$15,000 versus \$2,000? For most of the people in Ontario who need assistance, the non-profit housing program gives them a waiting list, and if they are lucky enough to get a unit, they still have to live where the limited number of units happen to be built. The shelter allowance on the other hand can be made available immediately, and the person has the choice of living anywhere a market unit is available at lower cost, more flexibility and greater immediacy.

We're not suggesting that shelter allowances will meet every housing need in this province. The extremely destitute, the infirm and those with special needs require the kind of supportive assistance that is provided in social housing. But the majority of people in non-profit housing projects do not need this degree of government intervention. For them, the subsidies are an extravagant waste.

It is sometimes argued that the non-profit housing program has created employment opportunities over the past year. While this is true, low-cost substitutes could have had a similar effect. A properly administered shelter allowance program supplements income. This fills in the valleys and thus supports the demand for low-cost housing that could be delivered by the private sector. We believe that shelter subsidies could stimulate demand for private sector housing.

There are a number of other proposals for stimulating this demand, and given the weakened state of the market, the government may want to consider some of these. In this regard, I direct your attention to a program of tax rebates that has been proposed by the Greater Toronto Home Builders' Association.

To summarize, the government should do nothing further to erode the purchasing power of the consumer, and this means no tax increases. The deficit must be reduced substantially. This means cutbacks in spending. Non-profit housing is one area where substantial savings could be realized without any detrimental effects.

Thank you for your attention. Phil and I will be happy to answer any questions you might have.

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Mr Solá: Thank you. I'd like to touch on the non-profit housing aspect that you've just mentioned. When I look at your brief, I see that you're saying the average monthly subsidy is \$1,250 in Toronto and that the average rent for a one-bedroom apartment is \$609 a month for a person making \$18,000. Is this for the same apartment? Is the shelter allowance double the rent?

Mr McColeman: Yes. This was pointed out vividly in the recent Provincial Auditor's report when the Ministry of Housing non-profit group was audited.

Mr Solá: In other words, if you live in this apartment that should be renting for \$609 a month and you are being subsidized, you are paying \$1,800 for that apartment?

Mr McColeman: Let me explain the situation. Non-profit housing—and it's a system that has gone back several governments in terms of its shape and magnitude—is delivered in a fashion that is totally inefficient. It's delivered with such a level of bureaucracy between the government which is to deliver it and the person who gets the unit that all of those extra dollars between the market rent and the actual subsidy are going to fund administrative, management, architectural and other functions that groups have been set up to administer.

Also, we are taking the average one-bedroom rent, so there are ones lower and ones higher than this. I don't know whether it's a comparison that can be made in the sense of apples and apples for unit for unit. However, we must tell you that it is almost double what someone could pay if they went to get a market housing unit today in Toronto. These are not our numbers; these are the auditor's numbers.

Mr Solá: When you talk of waiting lists, I know that in my region of Peel there are over 10,000 names on the waiting list for subsidized housing, so I know exactly what you're talking about. I see it in my constituency office on a daily basis.

But you also mention abuse of the system. First of all, how extensive was your study to come up with these figures and, second, could you give us some idea of how extensive abuse of the system is?

Mr McColeman: We believe the system is not geared to targeting the people who are in need of assistance. It is geared to a broad range of people to have publicly subsidized housing as their right. We have not done the studies. The government itself has done the studies. These are not our numbers as a result of our studies. We observe it from two points of view. Some of our members build this form of housing for the government. They contract it.

I can give you a firsthand example, if you'd like. I myself have a piece of land in Paris, Ontario. I was approached by a person who was an architect coming out to see me because he knew I had a piece of land that was zoned correctly that could go into multifamily housing, and he told me that the program was a bonanza. Those were his actual words. I don't think he realized I was president of the Ontario Home Builders' Association at the time, by the way.

We in turn have looked and asked questions at the ministry and we continuously find that it is overpaying at every level when it produces the housing. More dramatic, however, is the subsidy level once the housing is built. It's scary. It's approaching \$1 billion a year once the existing allocated units are built. It will cost the taxpayers of this province over \$1 billion per year ongoing subsidy cost.

This program, we feel, should be targeted at the people truly in need, the people who need the rent, the supplement to bring their income up to achieve a 30% expenditure on housing. You could cover a lot more people, do away with the waiting lists and providing housing for a lot more

people if you took that approach. That's what we are suggesting today and what we have previously suggested to the Treasurer.

Mr Solá: Is this experience consistent throughout the province, or does it pertain more to high-density areas like the Golden Horseshoe?

Mr McColeman: It's consistent right across the province. The number that we give you is \$1,250 on average they're paying subsidies per unit in Toronto. The number outside of the greater Toronto area is \$1,040 per unit.

Mr Solá: It's pretty close. Thank you.

Mr Arnott: Thank you, gentlemen, for your presentation. I think you know that our Progressive Conservative caucus agrees with your philosophy of phasing out rent controls at this time of low inflation and fairly decent occupancy rates and replacing those with a system of rent supplements.

You've touched on the auditor's report with respect to non-profit housing and how profitable non-profit housing can be to certain consultants and so on. I just want to ask you one thing. One concern I have about the phase-out of rent controls, and I'm not sure if I'm correct in this, but I am somewhat concerned about the confidence of the private sector to step in and again build most of the apartment units we're going to need. Is that confidence going to be there or is there going to be a residual fear that the next government perhaps might slap the rent controls back on again, such that the level of construction that we will need would not be sustained?

Mr McColeman: I believe that if you open it up to the marketplace, people will supply product to that marketplace. Already we're seeing vacancy rates approaching 6% and 7% in some communities. In my community right now the vacancy rate in the private market is 6% for housing units, yet they're building all kinds of non-profit housing units.

I think I'd like to make just a clear distinction. We're not talking today about rent controls and doing away with them in what we're saying, although we do support that position. What we're saying is, is this government is truly interested in making sure there's a recovery and reducing cost, reducing expenses? The Treasurer says he is. Here is a part of government spending that we know about very well and this is how this government can begin to reduce expenditures and achieve the same goal. The same social good can be achieved.

Mr Arnott: But if there's a time to phase out rent controls with minimum inconvenience to tenants, this is the time.

Mr McColeman: It could well be. I don't know how I would link the two into what we're proposing today. All I'm saying is today we are saying here's something concrete that you can do without removing the social good. There'll be a lot of arguments around not taking away rent controls. This is not taking away the subsidy.

Mr Arnott: Okay. One other—

Mr Kaiser: If I could add one point, you're talking about the private sector building rental housing. At the

current point right now, the government is competing against the private sector with the market rent units that are in the co-ops, therefore it's not economically feasible for the private sector to take on the government and compete at the rents that the government puts those units out for on the market, but which are subsidized behind the scenes by the taxpayers of this province.

Mr Arnott: One other question. You have in the past been supportive of allowing people to dip into their RSPs without penalty for the purchase of a home and reducing the down payment to 5% for CMHC-approved loans, and those have been established. Have you seen an appreciable impact on housing starts in Ontario that you can trace back to these two changes?

Mr McColeman: It's definitely so. We saw the impact of them last year bring about some starts.

Mr Arnott: Is that sustained over time?

Mr McColeman: It has not sustained itself over time. That's why we're suggesting today that even although those programs have been extended, they will not be as effective as they were when they were first introduced and there was also a noticeable increase when they were due to expire, so people said, "We better get in now before they take them away," and then it got extended. So there was demand and there will continue to be demand. We've asked for the extension of it, which the federal government has continued to support. We think it's probably a levelling off of the use of the program that will continue to occur.

Mr Waters: I guess maybe because I come from central Ontario I have a whole different view on things, but what I find is that our housing starts are directly related to the housing starts in Toronto. In other words, if you're not selling houses down here, we don't in central Ontario, and what that comes with is jobs.

When you see the likes of the GM van plant and that closing and all those people being put out of work, correct me if I'm wrong, but I think that that has a far greater effect on the number of jobs or housing starts within the Metro region. Those major layoffs where these people are running to Mexico and places like that I think have a far greater impact on housing starts than interest. We've already dropped the interest rate, dropped the down payment. Everything's down. Wouldn't you say that that has more of an impact than social housing?

1650

Mr Kaiser: I can answer that question for you. I discussed that in the boardroom with a large builder this morning at his office, and you're correct. We've got a lot of things in our favour in terms of the market. We have the RSP plan, we have the 5% down payment, we have mortgage rates which are falling, and what we don't have yet in the marketplace is consumer confidence.

But what we're talking about today is with the non-profit program and getting those dollars and switching around so there are people out there who can rent rental units. That's a different type of thing than the housing market that we're examining as a whole. If we're talking of a recovery, I think we're on the verge of recovery if we can get consumer confidence.

Mr Wiseman: I'd like to digress a minute. You're talking about taxes, and I think urban sprawl is one of the major contributors to the increase of municipal taxes and the costs in Ontario.

The fact of the matter is that in downtown Toronto there are schools that are empty and having to be closed and there are schools in Scarborough, some of them in the southern part, the older neighbourhoods, that are under-utilized, while at the same time as builders sprawl across and are being allowed to by elected municipal councils, so it's not entirely your fault that these costs are added.

The costs for transportation, the costs for sewers, the costs for maintenance of all of these institutions, the costs for hiring teachers, the costs for building schools and the costs for maintaining and running these schools all contribute on an ongoing basis. So that every time you build a subdivision, you increase the taxes to everybody else in the community. Not only that, the densities that are being built in these subdivisions are not at a level sustainable enough for those costs to be recovered, so it will continuously increase taxes on taxpayers who are already there. Perhaps you can comment on that.

The second thing is, if we continue to gobble up our prime agricultural land, which is within the viewshed of the CN Tower, we are going to find ourselves in some very serious environmental and food delivery problems in the future. I'd just like you to address those two problems in the last five minutes or so.

Mr McColeman: I'll engage the first question, which is the intensification and urban sprawl question. I think we have seen with respect to the way the government has seen fit to introduce levies as a way that infrastructure is being paid for so that it does not fall on to the backs of existing taxpayers. The levy system that this provincial government instituted, inherited and then went ahead with—said it would never go ahead with but yet did—is a way that infrastructure is paid for when sprawl occurs.

Mr Wiseman: Of course that's going to be challenged in court, isn't it?

Mr McColeman: Our association is challenging the educational component of that because school boards under that bill are allowed to levy against houses as well. In fact in the greater Toronto area it's a well-documented fact that levies on a single building lot can reach close to \$20,000. Over \$19,000 in the cost of a building lot is a

taxation to pay for all the infrastructure you mentioned as paid for by others.

I don't think today, however, we're here to discuss the benefits of intensification versus sprawl. I think that builders as business people respond to the market demand. What the market demands is what we build. We don't specifically go out and say, "Oh, we're going to build and eat up agricultural land." We build what people say they want to live in and it's always been that way, so we don't fuel where we're going. The market fuels where we're going.

Certainly the Sewell commission in its recommendations is leaning towards heavier intensification and planning and development, and maybe that's where we're going. However, you've got to remember that we are people who are trying to etch out a living in this industry by building something that people will buy. Therefore, we simply respond to the market demand of what is desirable to most people. I think we can each do a reflection on what we live in ourselves and what our expectations of housing are and then analyse the situation of whether that's good or not.

But I don't think we're here to talk about that. I would hope we're here today to suggest to the government that there is a huge financial problem hindering the recovery of this industry in this province, and that is the fact that we have such huge debt and deficit spending going on that that is hurting our industry.

Mr Wiseman: Well—

The Chair: I'm sorry, Mr Wiseman. The time has run out. I'd like to thank you for appearing before the committee today. That's so you don't get offtrack.

Mr Wiseman: I wasn't offtrack.

The Chair: Okay. I'd like to thank you for coming before the committee here today. It's nice to see you, Stephen.

Our hearings will resume on Monday, March 8, at 1 pm in room 228 here. So you can take a week off.

Interjection: Merci beaucoup.

The Chair: Okay, fine.

Mr Waters: What week off? Maybe a week out of committee.

The Chair: A week out of committee. That's correct, Mr Waters. Okay. This committee is adjourned.

The committee adjourned at 1657.

Substitutions present / Membres remplaçants présents:

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Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson
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Sola, John (Mississauga East/-Est L) for Mr Kwinter
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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

***Chair / Président:** Hansen, Ron (Lincoln ND)

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Vice-Chair / Vice-Président: Sutherland, Kimble (Oxford ND)

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*Phillips, Gerry (Scarborough-Agincourt L)

Sterling, Norman W. (Carleton PC)

Ward, Brad (Brantford ND)

*Wiseman, Jim (Durham West/-Ouest ND)

*In attendance / présents

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Monday 8 March 1993

**Standing committee on
finance and economic affairs**

Pre-budget consultations

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Lundi 8 mars 1993

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

Published by the Legislative Assembly of Ontario
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 8 March 1993

The committee met at 1304 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): We're going to have the pre-budget consultations for the standing committee on finance and economic affairs.

ONTARIO CHAMBER OF COMMERCE

The Chair: The first group to come forward is the Ontario Chamber of Commerce. I'd like to welcome you here. Could you identify yourselves for the purposes of Hansard?

Mr P. A. Palmer: My name is Pat Palmer. I'm president and chairman of the Ontario Chamber of Commerce, and with me is our vice-president of policy, Don Eastman. We appreciate the opportunity to meet with your committee today.

The Ontario Chamber of Commerce represents over 65,000 businesses of all sizes and types throughout Ontario and through 205 local chambers of commerce and boards of trade. Our membership represents the majority of private sector employment in the province of Ontario.

Our recommendations focus on four key areas. We believe the provincial economy is in serious trouble and that the provincial budget is a mess. We have reached the point where we require not an aspirin but surgery, or we face a worsening future.

The province needs, first, an immediate, across-the-board cut in wages for all public sector employees of 2% this year, followed by cuts of 4% in each of 1994 and 1995; next, an immediate stop to a continuing parade of spending initiatives that waste money; third, a freeze on all new taxes and tax rates to permit the private sector the change to start generating the economic activity that will produce more total tax revenue; and fourth, a truly clear set of books so that the people of this province can actually understand the province's financial position.

Some of that may seem tough. Doing any less will require more painful action in the future.

There is a substantial temptation in coming before you to say, "We told you so," if we look back over the budget advice we have been giving the government of Ontario through a succession of committees such as yours and to a number of treasurers. We are truly frustrated that our advice was not better listened to, that it was not better heeded. If it had been, we are convinced that the province's economic performance and prospects would be immensely brighter than they are right now. The public sector wage action we are currently calling for would not have been necessary.

It has been said that everybody has a right to his opinion, but no person has a right to be wrong in his or her facts. Let's look at the facts.

Fact: We in Ontario enjoy one of the highest standards of living in the world.

Fact: As productive and efficient as our economy is, it is falling short of paying for the standard of living we currently take for granted. Federally and provincially, we have become large international debtors. We are large borrowers on the international capital markets, taking in large sums of capital desperately needed elsewhere in the world.

Fact: The money we are currently borrowing to maintain a false standard of living will have to be paid back, with interest. The longer we delay that inescapable reality, the more pain we will inflict on ourselves.

Fact: Interest compounds. The \$1 billion that is borrowed today soon becomes a debt of \$2 billion, and then \$4 billion, unless it is repaid.

Fact: We need to substantially improve the productivity and output of the economy or we had better plan on substantially reducing our standard of living.

We have enjoyed our past appearances before this committee. It has been a great opportunity to vent our frustration, and we suspect it has also been true for most of the committee members. However, it has been our perception that the impact of our presentation and of this committee's deliberations on the budget process has been somewhat less than momentous. We believe that is unfortunate. We believe it can, and must, be changed.

We regret to inform you that the pre-budget submission we did last year is still entirely valid. We commend it to you. The only significant difference between then and now is, to paraphrase a Tennessee Ernie Ford song, that we are another year older and deeper in debt.

We hope none of you here is taking false comfort from recent reports declaring the recession over. These are extremely dangerous times for the provincial economy, for the social programs that depend on that economy, and indeed for the quality of life of every person in this province. If we continue to mismanage the economy as thoroughly in the future as we have in the relatively recent past—and by that I mean the past decade, not just the past two years—we had all better plan on a much lower quality of life than we have become accustomed to.

The province is entering the economic equivalent of a black hole. An accumulation of fiscal irresponsibility has pushed us into a deficit/debt/interest cost spiral, a deep, dark vortex that promises to widen, dragging in more and more of our real assets, our production and our future unless we take bold action to escape.

For more than a decade, successive provincial governments have decided to delay fiscal responsibility. Each of those supposedly temporary delays has been accompanied by the rationalization or excuse that conditions aren't good enough—"We will balance the budget next year or the

year after"—or that when we look at the other provinces, we are not doing too badly, as though there were some comfort in a slower rate of deterioration. The time has never been quite right for fiscal responsibility. The bottom line has been that each of our provincial governments has been more comfortable spending money than facing up to the revenue requirements of that spending. People want more services, but don't like taxes, so, "We'll cover the difference with increased borrowing and hope the future somehow fixes it for us."

A one-year deficit of \$1 billion, \$2 billion or \$4 billion isn't too bad. A decade of such deficits, rising to more than \$10 billion for the current budget year and the promise of a similar deficit for the coming year, is a disaster.

Each year's deficit means more debt piled on a mountain of previous borrowing. Borrowing costs money. The growing debt means continuous increases in interest costs. The increased interest costs aggravate the deficit position, making each successive year even worse. Hard-earned tax money gets sucked up in interest payments instead of being available for the health care, education, social assistance and roads it was originally intended for. The refusal to be fiscally responsible is now starving our social programs.

The first law of economics is: You can't have more than there is. We beg you to learn that first law of economics.

The problem of the deficit/debt/interest cost black hole is compounded by a connected black hole. The provincial government has not just reached but has passed the effective limits of taxation, the limit where further increases in tax rates and new taxes result in less, not more, taxation revenue.

It seems to us that the current government came to office with the firm belief or mythology that business represents the equivalent of a bank cash machine and that the election gave them the access code. Well, you can't make withdrawals if there's nothing in the account.

We don't have a warm feeling that you know what profit is. It is not bags of money locked away in a back room someplace. When profits stay in a company, they are not there in the form of bags of money but in the form of new equipment, new machinery, new buildings and, yes, new jobs, and old jobs that are protected. To the extent that profits leave companies in the form of dividends, much of that goes to pension funds to help pay for the current and future pensions of millions of Canadians. Most of the rest is reinvested.

Money taken away from business means jobs that are not created. This is an economy that desperately needs more jobs that pay taxes, not more jobs that absorb taxes. We have a fundamental imbalance in our provincial economy: a public sector that is absorbing far more revenue than the private sector is currently capable of generating.

We are long past the point where small changes and budget fiddles are of any value. If we are to break the spiral and escape the black hole, bold action is required. Anything less will truly be socially irresponsible.

Never in the past half-century have business conditions in Ontario been as bad: record numbers of bankruptcies, chilling numbers of plant closures and layoffs.

See our blood? No more taxes. Tax increases will only make the deficit position worse and subsequently put even more pressure on our social programs.

While the private sector—that is, businesses, employees and shareholders—have been suffering through a recession inflicted to cure inflation, the public sector still doesn't get it. The inflation problems that the recession was supposed to cure originated primarily in the public sector, with wage increases, tax increases, hydro increases and legislated cost increases for business, yet the public sector has escaped the ravages of the recession.

We have seen a great deal of whining and moaning because the public sector has been asked not to share the pain but only to slow down its rate of increases: the equivalent of Marie Antoinette complaining that she wanted more icing on her cake while the people of Paris starved.

We have been in recession for three years. That means the economy is actually smaller now than it was in 1989. That means there is less to share. You can't have more than there is. Those who have the same income today that they had three years ago have increased their share on the backs of others. Yet public sector wages have continued to increase, meaning even higher taxes on a private sector that has less income to pay them. That is the definition of irresponsibility: irresponsibility on the part of those demanding the increases and even more irresponsibility on the part of those granting them.

The starting point of building the foundation for a better economic future should be restoring the balance. Public sector wages need to be cut across the board to return them to the 1989 levels, and then cut by the amount the economy has been driven into recession since.

We recommend a cut of 2% this year, followed by further cuts of 4% in each of 1994 and 1995. When the economy is restored and we are able to once again see positive, consistent growth in the private sector economy, then public sector wages should share in that growth, maintaining the balance.

That is not penalizing or unfairly targeting public sector employees, but it is demanding that they share the burden. Anything less would be unfair, not just to the rest of us but to the public sector employees themselves. Unless we restore the health of the private sector economy, public sector employees condemn themselves to a long-term miserable future. Public spending has to be cut. We would sooner see that done through responsible wage measures rather than massive layoffs.

Despite the severity of our current situation, the provincial government continues to find imaginative new ways to waste money—a continuing parade of prettily printed, thick reports with minimal content.

The most recent high-profile example of spending waste is the current charade on the provincial NAFTA hearings. Not only is NAFTA a federal issue, but this government already knows its position on NAFTA and these hearings won't change that. This is nothing more than an attempt to use Ontario taxpayer money to try to help out Audrey's election campaign and to try to deflect public opinion from this government's mismanagement of the

provincial economy. If Premier Rae is so concerned about NAFTA, he should resign and run federally.

There is one area where this committee can make a positive difference not just for Ontario but perhaps for the entire country. We do live in a democracy. While all of us at times have frustrations with the results of our democratic process, it sure beats the alternatives.

The ultimate economic managers are the electorate. They decide which of you will be elected and which parties form the government. They also decide which programs they will press for and what tax levels they will tolerate. For each of you as elected members and for the elected governments that you are part of, they represent an irresistible force.

It is no coincidence that, nice words aside, each of the political parties that has held office either provincially or federally has been part of the debt/deficit problem.

We are pleased to see Premier Rae publicly recognize that there is a serious problem of federal and provincial government indebtedness. That appears to have been relatively late-breaking news for the Premier. If he has been so slow to realize that we have a huge, dangerous problem, where does that leave the bulk of the electorate?

Our true economic managers, the electorate, have been doing a lousy job, not because they're incompetent but because we have been working with lousy information. Lousy information doesn't guarantee lousy decisions, but it comes close. Let me state categorically that any person inside this room, or outside it, who claims to truly understand this government's financial position is either a fool or a liar. Ontario's process for providing information on its financial position is a mess. That is not a new problem, and the problem is not confined to Ontario. However, it has been getting worse.

Ontario has traditionally used a cash basis for its financial reporting—relatively simple: Keep track of the dollars that come in and the dollars that go out, but ignore amounts that Ontario may owe but hasn't paid yet and amounts that may be owed to the province. Any corporation that attempted to report its taxable income on that basis would be charged with fraud and/or tax evasion.

Cash-basis accounting is a simplistic process that may have suffered when we had much simpler government but is now woefully inadequate. When government takes on longer-term responsibilities such as pension obligations, the public needs to know the financial implications of those obligations.

Cash-basis reporting invites abuse. Want to improve this year's budget? Simply delay paying some of your bills. That trick was worth \$600 million in the Treasurer's attempt to pretend that the deficit in last year's budget would be less than \$10 billion. Another cash game: Sell crown land to yourself and claim that it is cash income.

The abuse may have increased but it is not new. For years, the budget has shown deposits in the Ontario savings offices as though it was earned provincial revenue, when they are actually nothing more than another form of borrowing. The intention is not to finger the current government on this particular issue but to address some long-standing problems.

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There have been some halting, partial moves towards accrual accounting, looking beyond the straight cash flows to consider changes in bills not paid or collected, and in capital assets. However, instead of using these changes to improve the quality of information available, we have seen a shortsighted pick-and-choose approach that actually makes the quality of the numbers worse than they would have been with a straight cash approach. The primary accounting rule used is: "If it makes the numbers look better, use it. If it makes them look worse, find something else."

In the last budget we saw an attempt to separate out capital spending and pretend it doesn't count when you look at the deficit. We fully endorse separating capital spending from current spending, but only if it's accompanied by an appropriate provision for obsolescence and depreciation. Otherwise, it becomes misinformation, not information. Last year's budget contained no consistent depreciation provisions.

Last year's budget revenue estimates included provision for a substantial fiscal stabilization grant from the federal government. The prospects of receiving that grant in the 1992-93 budget year, or perhaps ever, were dim at best. That sum might have been appropriate to include in a budget based on accrual accounting, but not in a cash-based budget.

Currently, the provincial government is proposing a much wider use of crown corporations to conduct activities normally done directly through the government, such as water, sewage treatment and roads. The potential merits of this change have been severely obscured by a substantial concern that the primary driving force behind the change isn't improved efficiency and effectiveness but an opportunity to hide significant portions of future deficits. That concern may be misplaced but it persists. A proper system of reporting the province's financial position would erase that concern.

The people of this province deserve and need a clear set of books for the province. They need to see numbers that are comprehensive, that include all the province's obligations. They need to see numbers that are consistent, that treat similar concepts in a similar fashion. They need to see numbers that are current. An accurate picture of the situation three years ago would be a lot better than what we currently have but it is not good enough. They need to see numbers that are clear and understandable.

The electorate needs that information if they are to improve the quality of their economic management. You need that information if you are to have any hope of being responsible to that electorate. You may also need it in order to survive politically. A misinformed electorate is dangerous and unpredictable. Unreasonable expectations of what is possible does not make for a very productive environment.

If this committee were to put the heat on and really push for a clear set of provincial books, for responsible, comprehensive economic information, it would provide a lasting service to the people of this province and a light beacon for the rest of the country.

Some of the required changes will be simple and straightforward; others will be more difficult. Getting a

full handle on unfunded liabilities will be challenging. Sometimes getting things simple but not simplistic is hard work. However, if you think information is expensive, check the price of ignorance.

The Ontario Chamber of Commerce is anxious to help in any way we can. At the end of the day, we may disagree on the policy measures that may be taken in consequence of that better information, but let us at least start with the same facts.

In conclusion, we believe bold action is required now or future cures will be even more painful:

(1) Restore the balance: Take action now to bring public sector wages back into a reasonable balance with the tax base that ultimately pays for them.

(2) Stop wasting money: The claims of fiscal responsibility and painful restraint ring hollow when we are confronted with continuing examples of waste.

(3) Don't let future tax increases further damage the province's economic base.

(4) Let the people know; let the electorate know. Please, a truly clear set of books for everyone.

Thank you very much for your attention. Mr Eastman and I would be pleased to answer any questions.

The Chair: We only have six minutes left, two minutes per caucus. Mr Kwinter.

Mr Monte Kwinter (Wilson Heights): Mr Palmer, you stated in your presentation that the report you made to this committee last year is still valid and that there hasn't been much heed to your recommendations. What do you see as the prospects for the people you represent if this year is like every other year and the government doesn't heed your suggestions?

Mr Don Eastman: The whole deficit problem keeps building up and the spiral gets worse. If we had looked after our debt/deficit problems a number of years ago, that could have been done relatively painlessly. Every year we delay coming to grips with bringing our revenue and spending into line makes it even more difficult to do that in the future. That means a cure that becomes increasingly more painful.

The Chair: I'm going to go on to Mr Sterling.

Mr Norman W. Sterling (Carleton): Listen, I like your stuff on the accounting very much. As a representative of my party on the constitutional committee I was most upset when basically provincial premiers, not this Premier alone but the premiers across this country, put off the table the constitutional suggestion that everybody should keep the same kind of books across the country. I think that only when we get to a common accounting system like they have in Australia, in front of accountants who will sit in front of a committee or an independent commission or whatever is necessary in order to get the same method of keeping books, will we get anything where the people can tell whether or not their government is doing a good job vis-à-vis another provincial government or anything else. It's a joke now. I don't even know how the Treasurer of this province, this government, knows where it sits, because if you keep switching the

method of keeping the books you don't even know what's going on in your own business.

Can I ask you one question? With regard to the public sector increases that have occurred, particularly during this recession but let's say since 1985-84 when we started to come out of the last recession, is there statistical information vis-à-vis the increases in the total benefit packages for a public servant as against what the private sector has been receiving?

Mr Eastman: In the period preceding 1989 there were a number of years where the available statistics indicate that public wage settlements in Ontario were higher than private wage settlements. That's before we went into the recession. Everybody else has now subsequently wound up with less.

Mr Jim Wiseman (Durham West): That's an interesting comment because the last survey I've seen showed that the private sector wage increases went up something like 2.3% while the public sector wages only went up something like 1.4%. That survey doesn't really jibe with the information you're giving us here.

Mr Eastman: If I might, the numbers I was quoting were the wage settlements prior to the recession, 1986-89, prior to 1990. Since we've had the recession, one of the things that's happened has been that the recession overall has weighed more heavily on those who have been last hired, so you have wound up with a substantial change in the mix. I think it would be interesting to look through those numbers. The reality is that from 1990 until now we haven't had a growth slowdown or a growth pause but an actual decline in the provincial economy. That means that there is less economy out there today to support wages in the public sector, to pay taxes.

Mr Wiseman: I agree with that, but the—

The Chair: Mr Wiseman, I'm sorry; the time has run out. I'd like to thank you for appearing before this committee today. We had a lot of new knowledge brought forward to this committee.

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CANADIAN INSTITUTE OF PUBLIC REAL ESTATE COMPANIES

The Chair: The next group to come forward is the Canadian Institute of Public Real Estate Companies. I'd like to welcome you to the standing committee on finance and economic affairs. We have until 2 o'clock, and in that period of time, as you can see, the committee members like to ask questions. We'd appreciate it if you can keep it down to about 20 minutes and give the committee members an opportunity to ask some questions on your brief.

I just want to tell the committee members here that we're photocopying their brief now, so it should be down here in about five minutes. We might as well get started. Would you please introduce yourselves for the purposes of Hansard.

Mr Jim Bullock: I'm Jim Bullock. I'm the currently serving president of CIPREC, the Canadian Institute of Public Real Estate Companies. I'm also the president and chief executive officer of the Cadillac Fairview Corp. With

me is Mr Andy Lennox, who's the senior vice-president of the Bank of Nova Scotia and is responsible for their real estate activities.

Firstly, let me begin by apologizing for the missing brief that's out being photocopied. Mr Ron Daniel, our executive director, did a good job of demolishing one of his knees over the weekend, and I came from another meeting to find that he wasn't here and neither was the brief, although I did have a copy which the clerk has been good enough to copy for us.

If I might begin, for those of you not completely familiar with CIPREC, we are the primary voice of the Canadian real estate industry. Our members have approximately \$60 billion of real estate under ownership and management, and we've been in operation for some 20 years. We've endeavoured to provide a responsible voice to all levels of government in terms of legislative initiatives and budget preparation activities in the past, and it's in this context that we're here with you today.

If we were sitting here today as we were in 1989, one of the government's principal preoccupations at that point with respect to our industry was the sense that our industry was not paying its fair share of taxes and not carrying its full share of the financial requirements of governing this province or governing this country. Since July 1989, the publicly traded real estate companies on the Toronto Stock Exchange have seen their equity value diminish by some 86%. Many of our members are now unfortunately penny-traded stocks on the Toronto Stock Exchange, and our industry is indeed one that's in a deep crisis as we come before you today.

I want to spend a minute, if I can, on the market conditions for real estate and the kinds of real estate that are represented by our membership. Firstly, with respect to retail estate, in other words, shopping centres and major urban retail projects, that is where we have perhaps the best news to bring to you. Retail appears to have bottomed and is beginning to show some slow signs of growth back from what was a very difficult period during the past two years.

The difficulties in retail have been caused by such things as the introduction of the goods and services tax in January 1991 as well as by the impact of cross-border shopping. Cross-border shopping has diminished in the past six months. I think that's attributable to a number of factors: first, the decline in the value of the Canadian dollar; second, I commend the government on its initiative of Sunday shopping, which has in turn helped to stem some of the flow across the border; third, I think the Canadian retail industry is also to be commended for becoming much more competitive and much more progressive in competing with its neighbours to the south.

Unfortunately, that's all the good news I have to bring you today with respect to the real estate industry. When I turn to the housing sector, we continue to await the start of a significant and sustained recovery. CMHC talks in terms of housing starts having increased in the last quarter by 7.7%. I caution you that our experience with CMHC has been that its projections and forecasts with respect to housing starts in this country have consistently been

overly optimistic over the past three or four years, and when you add the benefit of looking back, you find that the numbers in fact are not as strong. Nevertheless, with interest rates where they are, we believe there is some reason to believe that housing starts may begin to pick up during this year.

When you come to the office and other commercial real estate sector, it's clear that we have and will continue to have a significant problem here for some period ahead, and I am not optimistic that the situation will change significantly for several years. The vacancy factor in office space in downtown Toronto is something in the order of 18%; it's about 19% or 20% in the suburbs, and that's before you take into account space that is leased but not occupied.

We have a significant problem with inventory being dramatically overbuilt at this stage, and that's being impacted, of course, not only by an industry that perhaps was putting too much money into the investment and commercial real estate back in the 1980s but also by the significant loss of jobs, particularly in the service sector, that we've seen during this recession, and no apparent relief in sight in terms of growth in that sector for employment.

When you look at the office space, even the most optimistic forecasts are that the amount of space in the marketplace and the vacant space will diminish from perhaps 18% to 20% to something in the order of 13% or 14% by 1996 or 1997. Those are still unacceptably high vacancy factors which will continue to cause the marketplace to be extremely soft.

This is well known to the government, of course. They are presently renegotiating leases in the marketplace for space which they occupy and perhaps are enjoying some savings for the benefit of the other taxpayers in diminished occupancy costs. But clearly we have a serious problem as it relates to the office sector and it has not turned around at this stage, nor does it give any signs of doing so in the foreseeable future.

In our submission to you, what we've tried to do is focus on a couple of issues that we believe this government and the government of this province can address in legislation upcoming in the months ahead. First of all, the Metro market value assessment which has been before this government and has been sent back to Metro is an area of continuing concern for our industry. The industry and our association are on the record as supporting market value assessment, and we are in full support of market value assessment even today.

Having said that, the system that is being proposed by Metro is, of course, not market value assessment. If it were, it would not need to be before the government for enabling legislation. The legislation is already there for market value assessment. We have an inequitable property tax system here in Metro Toronto that's taken some 40 years to create, and the commercial real estate industry and for that matter the home owners in this city and surrounding region can't afford to address and respond to those inequities in that system in a year or two.

What we have proposed is the implementation of full market value assessment but that it be done over several

years, in the order of 5 to 10 years, and not the type of gerrymandered system that's been put forward by Metro. So I would encourage the government and all parties in the Legislature to continue to resist the system that's being put forward by Metro at the moment, which has as many inequities in it as the system it's endeavouring to replace.

The second tax, which was introduced in 1989 by the then Liberal government and the Treasurer, Robert Nixon, is of course the corporate concentration tax, which was brought forward with little or no consultation with the industry and affected parties. We were encouraged at the time that the members of the NDP caucus were almost unanimous in their opposition to this tax and its inequities. This tax represents, in our view, an unwarranted intrusion by the provincial government into a taxing area that's historically been a municipal taxing area, namely, property taxes.

More importantly, the tax is ill conceived and, frankly, just doesn't work. It places an unreasonable burden on such things as pay parking facilities. It makes hotels in downtown Toronto some of the highest-taxed hotel facilities in North America, thus discouraging tourism and visits to this city, and the threshold of 200,000 feet, which is used to establish the size of buildings against which this tax is applied, results in a terribly inequitable situation with respect to small businesses located in large buildings versus large businesses located in buildings that are something less than 200,000 feet.

We fail to understand where the equity is in a situation where virtually all of the retailers on Bloor Street, including people such as Holt Renfrew and Harry Rosen and so forth, do not pay this tax because they don't happen to be housed in buildings that are larger than 200,000 square feet, whereas small businesses located in large commercial buildings get caught with this tax. It is a significant tax because it is assessed on the gross building area, not on the gross rentable area of the building, so that where there are common areas and facilities, those of course are picked up and added.

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We have continued to stress to the government of the day, since the implementation of this tax on an annual basis, the need that at the very least it be restructured and hopefully that it be recognized as a tax that shouldn't be levied and imposed on our industry. It also has the effect of course of causing occupancy costs to be significantly higher in the greater Toronto region than in other portions of the province or elsewhere in the country. As a result, I think it also encourages people to look at their total cost of doing business in the GTA and perhaps make decisions to relocate elsewhere.

We had the opportunity, Mr Lennox and I, this morning to participate in a consultation session with the Honourable Mr Mazankowski, who's in the process of doing his budget. We raised with him, as we raise with you, the need for all levels of government to focus on and concentrate on tax harmonization and to recognize that there is but one taxpayer.

This of course is not news to any of you. You've heard this time and time again. But we see, for instance, where

the federal government takes an initiative with respect to such things as unemployment insurance and tightens those down, the result of which is, it places more people ultimately on welfare, and a portion of the welfare costs of course are borne by property taxation.

I made the point this morning that property taxation is in some respects one of the more regressive taxes in that it has nothing to do with an individual's ability or a company's ability to pay. It's taxed before you get to the bottom line, either profits of the organization or income of the individual. We believe that this tax harmonization discussion needs to involve all three levels of government and to recognize that such things as education and social programs can no longer be funded to the extent they are by property taxation. We're not here arguing for less taxation in terms of dollars. We're arguing for a redistribution of the taxation as it relates to who can best pay these taxes and pay for these programs.

We believe that some of the initiatives that have been taken to date in the reports issued by the Ontario Fair Tax Commission represent a unique and important start towards addressing this issue of tax harmonization. We would encourage that process to continue to its appropriate conclusion and we would welcome the opportunity to continue to participate in that process.

Again I come back to the issue with respect to market value assessment. Market value assessment, as it's endeavouring to be implemented in Metro Toronto at the moment is entirely inconsistent with the recommendations of the provincial task force at work, and there needs to be a reconciliation of these things and the recognition that once and for all we have to have a proper and long-term solution to the inequities in that system and not the patchwork quilt that has been presented to this government for its approval at this time.

Recognizing, Mr Chair, that you wish to have some opportunity for questions and discussion, I would leave you with the following comments on behalf of our organization: The real estate industry is in a serious crisis. We have credit and liquidity problems. We have retailers who, although business has begun to improve for them, have in many cases incurred a 20% to 25% drop in their business since 1990, and they are in a very difficult period, although perhaps there is some room to be optimistic that things are getting a little bit better.

What we do not need at this stage in terms of the upcoming budget for this province is increase in taxation. It particularly concerns us when we hear discussions of the possibility of increases in provincial sales tax, which would have a very significant and negative impact on retailing, which has just begun to see the situation turn around with respect to its business.

I will perhaps draw my comments to a conclusion at that point, Mr Chairman, and either Mr Lennox or I would be pleased to answer any questions or comments you may have.

The Chair: They don't allow me to ask any questions, so I have to go to Mr Carr next.

Mr Gary Carr (Oakville South): Thank you very much and thank you for your presentation. I was interested that you talked a little bit about the Fair Tax Commission. I personally believe that was set up because, as you know, the government in the last election said, "We can not only have all the spending that we have now, we could have more, and we'll tax the rich, and we'll tax corporations." When they got in, they found that only 7% of the revenue comes from corporations, and as we saw in the last budget, they had to tax the middle class. Anyone making \$53,000 got hit with a big surtax because that's where the vast majority of revenue comes from, the middle class.

I believe they knew that when they made those promises in the election, notwithstanding the fact that some of the individual members may not. What happened is that they all of a sudden got in and said: "We can't live up to our promises. What do we do? Well, we will put together a commission, like any government would do, of any stripe. We don't know what to do. We'll consult."

The Fair Tax Commission has come out and talked about education funding. As you know, they said it's terrible, that it shouldn't be on property tax. In our area in the last election, the government said, "We're going to up it to 60%." In my area, it's gone down about five percentage points since they were elected in 1990.

How confident are you that anything will be done as a result of the Fair Tax Commission before the next election? I'll tell you what my personal opinion is. I think that it was a complete public relations sham and that they'll go up to the next election not having done anything and saying again, "But if we get re-elected, this is what we'll do." How confident are you that anything will be done as a result of the Fair Tax Commission?

Mr Bullock: Sir, I'll leave it to you to describe the political motives of the decision that was taken, but let me suggest to you that if, as you point out, the result of the Fair Tax Commission is that we have an educational process for a lot of constituencies, many of which you just touched upon, then I view it as a positive exercise.

How confident am I that their recommendations in whole or in part will be implemented into legislation? One of the reasons I'm here today and speaking to you is to underscore the need for those deliberations which have taken place and which have been, in fact, representative of a lot of groups, many of which I would agree with and many of which I don't agree with, but which nevertheless have had their say and have resulted in the report—that those be given proper weight before such things as the legislation for market value assessment get run through the Legislature and implemented, as is being contemplated or proposed by Metro Toronto.

I recognize what you're saying, that there is a possibility that nothing may happen. But if you contrast that with the discussions that have occurred with respect to market value assessment at Metro, where even today our organization has asked for the computer disk so that we can run simulation models of what Metro is proposing, and they refused to give them to us, and we're perhaps going to seek them through the public access to information, I think the process has been open and has been a worthwhile exercise.

Mr Carr: I agree. In all fairness to the government, they did get a broad base. They didn't just select from one constituency, and there is some fine work being done on those. That's why I think we've had groups disagree, quite frankly, because they have got a broad base, and that's why you haven't been able to get unanimity, although the treasury has said they don't need to listen to anything the Fair Tax Commission says anyway. But you're right; some good work has been done.

I want to talk now specifically about the tax situation. As you know, the Treasurer has said that he has a revenue problem. I don't believe he does. I think he has a spending problem. We're now taxed to the hilt. He mentioned the commercial concentration tax. Would you maybe expand a little bit more on how that has hurt and what effect it has had on some of the members? What specifically can you give us to add to that?

Mr Bullock: Property taxation in the greater Toronto region now is two to five times higher than in comparable-sized municipalities to the south of us across the border. In fact, the corporate concentration tax on my own property, the Fairview Mall in North York, represents a higher tax on that property than the entire property tax load on properties of major shopping centres we own in places like Atlanta, which are comparable-sized cities. So I think it does represent a significant disincentive.

More importantly, though, as I said at the outset, the tax is discriminatory on large buildings versus other sized buildings and ignores the fact that the occupants of large buildings are the same types of business that occupy buildings that happen to be smaller than 200,000 square feet. Then, when you look at the impact it's had on such things as pay parking facilities and hotels, I think you reach the conclusion that this is a bad tax. There has to be a better way to raise this revenue than this tax.

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Mr Anthony Perruzza (Downsview): I just want to pick up on Metro council and the developments in the property tax. Metro is currently undertaking a review of possibly implementing equalization factors for Metropolitan Toronto. How do you think that would fare when you compare that with their interim assessment plan?

Mr Bullock: Once they share the information and what the impact of that is with us, we'll be able to make a more definitive assessment, but I would say it's my expectation that what is being attempted presently by Metro is to do indirectly what the government of the day has seen fit not to allow it to do with legislation, and that is to impose the inequities the market value assessment plan they had was bringing to taxation in the city.

I think it represents a serious problem for the city of Toronto in that it will place an unfair tax burden on properties in Toronto, particularly commercial properties, and will cause further businesses to decide to try and seek to locate elsewhere.

Mr Perruzza: So you think equalization would be a destructive thing because, I guess, in comparing that with what you said about market value—you stated that Metro

perhaps should phase in full market value over a number of years so its impact isn't felt all at once.

The way I understand equalization to work is they essentially add up the assessments within the different local municipal jurisdictions, compare their 1940 total value of assessment with their 1988, 1990, 1991 assessments, and on the basis of that develop factors where you would equalize on the basis of the assessment. To me that seems like a move towards some fairness and towards essentially what you talked about, market value.

Mr Bullock: One of the problems we have at the moment is the semantics that are being used. The system Metro has put forward that was rejected and sent back was not a market value assessment. The assessment was market value; the distribution of the taxes was a gerrymandered formula.

You now talk about, "What about an equalization formula?" Clearly, it's hard to be against equalization—I'm using the term—but it's the application, and what I'm saying is that I believe what we need in Metro, as we have in many other jurisdictions in the province of Ontario, is a market value assessment applied appropriately. We have created these tremendous inequities in the system over 40 years and it's going to take a period of time to phase it in, I believe. The phasing in that was put forward by Metro, before the province sent it back for reconsideration, was such that it retained a lot of the inequity in the system.

To properly respond to you, we need to see the calculations associated with what Metro is proposing for equalization, after which I think we could more intelligently respond, but I am suspicious of their motives.

Mr Perruzza: My last question has to do directly with market value. When we conducted our hearings, we heard from individual after individual, and corporation after corporation, that in fact not only Metro's interim assessment plan but full market value would simply tear apart the fabric that holds together the downtown core, that we would see massive amounts of bankruptcies and large numbers of people being unemployed. You don't agree with that?

Mr Bullock: No, I don't. I believe market value assessment, if it's fully put in place over an appropriate period of time, will also take into account that the occupancy cost—rent, in other words—against which market value is established on commercial buildings has diminished dramatically already in the downtown, and there is not the bias that was there in 1988, which was the base year for this current plan of Metro.

One of the things you also heard, I think, in that debate was the need to have the base year current, 1991-92, because of that significant and what I believe is a permanent change in the market rents in downtown Toronto versus the suburban, greater Toronto region.

Mr Kwinter: Mr Bullock, I'd like to talk to you about the corporate concentration tax. I've a lot of sympathy for you on that issue. The rationale that was behind it was that given the infrastructure renewal required in the GTA, and given the overutilization of larger real estate projects, there had to be some way of getting some revenues to renew the

infrastructure, and this was the way the Treasurer of the day thought he was going to solve the problem. I have a lot of sympathy, because at the time I saw some major problems that I think have actually been illustrated.

You said just a couple of minutes ago that there has to be a better way to raise this revenue. I'd be interested to hear how you think this particular problem can be addressed.

Mr Bullock: Back in 1989, when this tax was brought in, I appeared before Treasurer Nixon and made representation on this particular tax. At the time, I argued that our industry recognized the need to fund infrastructure to keep the greater Toronto area in its then dominant market position, that this had to be paid for and that if there was need for a targeted tax to pay for infrastructure, it should be spread across a much broader constituency than simply buildings of over 200,000 feet.

At the time, we did calculations in which we suggested to the Treasurer that you levied that tax against all commercial real estate, but excluded pay parking facilities—which made no sense at all to me, with all due respect—and perhaps excluded hotels. To raise the same amount of revenue with the inventory in place required a tax of about 30 to 35 cents a square foot on rentable space. That, I thought, was a more appropriate way of raising the money for the infrastructure expenditures in Metro, because I find it difficult to accept that the business that happens to be located in First Canadian Place places a greater demand on the infrastructure than the business that's located across the street in a 150,000-foot building. If there is a rationale for taxing those businesses to pay for infrastructure because of the demands they place on infrastructure, then I think they both should be taxed equally.

I was not arguing against the tax, against the need to raise the revenue, and I was not arguing that there couldn't be a targeted tax at the time. Today, on balance, I would accept a broader-based tax over the inequitable situation we have at the moment.

Mr Kwinter: I think there is the other aspect. You have sort of concentrated on the commercial usage, as opposed to the commercial building. I remember at the time that one of the arguments was that there were a lot of corporations that were not necessarily centred in Toronto and were not paying any taxes in Toronto, but were utilizing space in the greater Toronto area, and as a result this was a way of capturing from them some sort of revenue to help pay the infrastructure costs. How is that affected?

Mr Bullock: I think you would have a fairer distribution if you eliminated the 200,000-foot hurdle, because obviously all of the larger buildings, or the vast majority of them that get caught by this tax, are located in downtown Toronto. The Treasurer of the day spoke in terms of raising money for the construction of such facilities as Highway 407. It's pretty hard to argue that a tenant at King and Bay is placing a demand on Highway 407, or is causing the need for the construction of Highway 407 with its business activity at King and Bay.

I'm saying that if there is a rationale for taxing business and commercial real estate for these expenditures, and I have some sympathy for that rationale, it should be on a

much broader basis than the present system. The present system simply means that hotel rooms have the highest taxes in this city of any hotel industry in North America.

The Chair: Gentlemen, I'd like to thank you for appearing before the committee today.

Mr Bullock: Thank you very much, sir.

1400

CANADIAN MANUFACTURERS' ASSOCIATION

The Chair: The next group to give a presentation to the committee is the Canadian Manufacturers' Association. Welcome, gentlemen, to the standing committee on finance and economic affairs. We have until 2:30; in that time, could you leave time for questions at the end of your presentation? And for the purposes of Hansard, please identify yourselves before you begin.

Mr Paul Nykanen: Good afternoon, Mr Chairman and members of the committee. We appreciate the opportunity to be able to discuss some of the issues that are facing manufacturers today and to present some of our recommendations on the forthcoming budget. I apologize that, due to production problems, I don't have a copy of the submission for you, but I have promised the clerk that we would have it couriered tomorrow morning.

My name is Paul Nykanen. I'm vice-president of the Ontario division of the Canadian Manufacturers' Association. With me are Eric Owen, who is the CMA director of taxation and financial policy, and Dr Jason Myers, chief economist for CMA.

Before we get into discussing the substantive issues, I'd like to briefly comment on what we represent. As many of you are aware, we are a national organization representing manufacturers of all sizes, small, medium and large, and also all sectors of the goods-producing industry and all regions of the province. Our members represent over 75% of the total manufacturing output in the province. In shipments in Ontario alone, that represents about \$110 billion annually.

Manufacturing in Canada, as well as in Ontario, drives about 52% of the total economic activity, and it's also a major source of fixed capital investment and is a key contributor to provincial and federal revenues. Translated into jobs in Ontario, manufacturing directly employs about 800,000 people, and in addition to this, there are another 600,000 service sector jobs that are directly related to manufacturing. These manufacturing jobs are also, generally speaking, highly paid jobs and contribute to an excellent standard of living for those employed in the industry, so it's very obvious that manufacturing is very important to the future prosperity of our province.

We acknowledge that the government faces a difficult challenge with a debt crisis, rising costs due to unemployment, increasing welfare rolls and declining revenues. Our manufacturing members continue to face a similar scenario with increasing costs, aggressive foreign competitors, higher corporate and non-discretionary taxes, and a legislative and regulatory burden which makes it extremely difficult to compete in a very fragile economy.

The decisions to be taken by the government for the forthcoming budget must establish a fiscal environment that encourages investment, innovation and growth. My associates here will comment more specifically on the trends and will suggest solutions to revitalize manufacturing, which is so important. I will now call on Dr Jason Myers to comment further.

Dr Jason Myers: Ladies and gentlemen, I would like to outline very briefly for you the condition of manufacturing, but I also mean the condition of the Ontario economy, because many of the trends apparent in manufacturing are also trends that are apparent in other areas of business and in other areas of the economy in this province.

In 1992, manufacturing more or less bottomed out. We held our own in terms of production; there wasn't a lot of growth. In terms of the value of shipments, it's up by a very small amount, and in terms of employment, again we held our own. There weren't any more job losses, as there had been over the period from 1989 to 1991, when the manufacturing sector of the economy really did suffer enormously. During that period, of course, about 250,000 jobs were lost in the sector itself.

While prospects for 1993 look a little bit brighter, and I'm a little bit more optimistic than I was when I was here last year, our export growth continues to drive the sector, and exports into the United States are particularly important in all areas and all segments of the industry.

In terms of domestic growth, it still remains exceptionally weak. In fact, we've seen an increase in the amount of goods manufactured in this province that are exported. Over 50% today is exported out of this country, and most of that to the United States. Our domestic market share has shrunk very rapidly. Today in Ontario, about half of the manufactured goods that are purchased are made here in Canada. We seem to be extremely competitive on the export side and we seem to be facing many problems internally. I think that will continue as two very basic trends underlying the growth of the sector next year or this year.

One very optimistic outlook is based on the current value of the Canadian dollar, which is much more competitively valued now than it was last year, and that is a tremendous help both in terms of competing against our imports but also in terms of raising sales revenue for manufacturers who are exporting.

But let me sketch in what I believe to be the most important context of all, and that's the financial condition of the industry. You don't have to look very far to explain why so many jobs will be or have been lost and why they continue to be shed in manufacturing. In fact, in spite of the stronger growth in 1993, I expect that there will be more jobs lost in manufacturing. It's for a very simple reason. Today, the average price of a manufactured good is exactly what it was on January 1, 1989. I wish I could name one cost that was at the same level. Labour costs are up by 20%, but labour costs haven't risen as rapidly as other costs, other types of benefits, regulatory costs, other forms of discretionary and non-discretionary tax revenue.

Those cost pressures above all, given the deflation, the falling prices in many industries, are causing the restructuring. The productivity increases we've seen are really, to

a large extent, not based on improvements in the productive capacity of people who are working. A lot of it is simply based on cuts in the middle management sector that have to be made because companies are downsizing. They are reducing the numbers of employees that they believe are not adding direct value to their firm.

That, unfortunately, is a condition that I expect to remain in 1993. It will continue to drive restructuring, not only in manufacturing in Ontario but in other industries as well, as we see it now in the services sector. It's a very important trend that has to be, I think, the basis for any type of consideration on the fiscal side, because any increase in cost today is simply being translated into lost jobs. Every \$35,000 increase in cost results in two job losses in manufacturing, as a rule of thumb, and that's been the case over the last two years.

The financial pressures, as well, are certainly creating strains in cash flow. It's becoming more and more difficult to raise external financing, and companies are drawing on retained revenues, if they have those retained revenues, to make the investments in the advanced automation systems that they require simply to stay in business today, let alone compete five years down the road.

That above all, I think, is where the focus of fiscal policy should be aimed. Let me pass it now to Eric, who will take it from there.

Mr Eric Owen: I'll go a little further on some of the things Jay has said, on to fiscal priorities as we see them.

We believe that industrial recovery in Ontario, particularly the recovery of Ontario's vital manufacturing base, depends more than anything else on improvements in the financial conditions of companies competing for survival in international and domestic markets.

It's rather interesting that this morning we met with the Minister of Finance and it was pointed out that, right now, the retailers in Canada are facing import competition and winning. That's something we have to be very conscious of and continue here.

We must commend the government for the income tax rate reduction for small business that was introduced last year. It was indeed welcome news for manufacturers. We didn't expect it, and everything like that really does help. However, price deflation coupled with rising unit production costs have seriously eroded profit margins, and the cuts in the income tax were minimized because the actual profits weren't there to take advantage of.

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Also, we must say that Ontario paralleled the federal increase in the capital cost allowances for class 39, which was an increase of 25% to 30%. That again was very, very welcome news. However, the draconian put-in-use or the half-year rules were that anybody who is putting capital in place must wait until it's actually in place before he can start taking deductions from it. This doesn't act as a magnet for investment in Canada. In fact, if you look at it, on the average it's a one-and-a-half-year lag with investments before you start getting cash flows back from any of the investments you have made.

We believe the financial conditions of Ontario industry must be strengthened in order to stabilize employment and consumer confidence—consumer confidence is most important—and also to boost capital investment. That's the formula, we believe, not only for short-term economic growth but for making the structural adjustments necessary to meet competitive challenges and to provide jobs in the future.

Industrial recovery is the only guarantee of future employment. I did hear certain people this morning say that if you put everybody back to work, the actual money that will be paid from income taxes on personal income will more than offset the deficit. But jobs do not just appear, and you cannot make jobs. Jobs are a response to something that is happening in the economy. If there is indeed the need for people to be employed, then jobs will appear. That is what we're saying here, that industrial recovery is the only guarantee of future employment. We don't believe that governments can generate full employment on their own. We do recognize infrastructure changes, and that certainly does generate certain construction jobs, but again, it's not full employment.

The first priority of the government of Ontario, in our opinion, should be to create a fiscal and legislative environment that encourages businesses to innovate, invest and grow. That, in our opinion, is ultimately the recipe for full employment. High unemployment and anaemic business profits have reduced the province's tax base. I think we would all agree with this; if the Treasurer were here, I believe he especially would be the first to applaud that. Increased taxes, fees and levies, however—we have seen this happening time and time again—are not the answer to make up for the revenue shortfall. Getting Ontario working again will increase the base and produce the necessary revenue, and we believe that's the only solid way to go.

Industrial recovery is also the only solution to the province's own fiscal problems. If spending on social programs is to be maintained—we certainly will not step away from the point that there are quite a number of social programs out there that are beneficial to industry; health programs, for example. It's always pointed out that the people south of the border don't have the health programs we have up here, and we certainly appreciate it. We hope they are able to be maintained. However, industrial recovery is a necessary first step.

We were disappointed, from the reports we're receiving, that the government will not be able to meet its \$9.9-billion deficit target in 1992-93. We still hope the government can achieve a balanced budget within three years. This is our hope. By that, obviously we're hoping the economy will rebound and give the government the necessary revenues it needs.

We believe, however, that the province of Ontario should further reduce the growth in the overall level of operating expenditures by limiting inflationary increases in government ministries and transfer payment organizations, improving administrative efficiencies and further rationalizing spending programs. Striving to match the productivity of Ontario's manufacturing sector in the provision of provincial government services is, we believe, a must, and

we in manufacturing have some what we call "best practices" which we are prepared to share with you.

Coming now to the point of harmonization, time and again we see one government step away from a certain taxation and another government step into it. This is something we cannot afford. I'm not pointing fingers in any way, shape or form at the province of Ontario, because in large part what is happening is that we're seeing time and again the municipalities step in. This is unfortunate. However, the lower down you go in the pecking order, a lot of these indirect taxes become taxes which are not dependent on profit and, as such, if you don't have profit, all you're doing is making payment after payment after payment. I think the property tax is a good example of that.

Harmonization of fiscal and regulatory policies with other levels of government is a must. I know it will stick in the craws of a lot of people, but one of the biggest and best issues that you can look at is the goods and services tax, whether it be called the goods and services tax or whether it be called any other tax.

We can't afford to have our governments cut spending, only to see it reappear in another, more expensive form at another level. Again, we recommend that the government of Ontario reduce the overall tax burden on Ontario industry by again reducing the current corporate tax rates and providing enhanced tax incentives for capital investment and technology research and development by the private sector.

The Acting Chair (Mr Paul R. Johnson): Thank you very much, gentlemen, for your presentation from the Canadian Manufacturers' Association. Questions? We have almost five minutes per caucus, and it's the New Democrat caucus that is to start. Mr Perruzza.

Mr Perruzza: Really, it's just sort of a question of clarification. We heard—and I'm sorry, I've forgotten your name.

Dr Myers: Jay Myers.

Mr Perruzza: Jay Myers. You said earlier in your presentation that what you saw in 1989 and 1990 and 1991 was loss of jobs and a sector that suffered very dramatically, and you said that in 1992 we've seen stabilization, both in jobs and in failures. We're seeing an industry that's essentially being driven—and these are your words, if I recall them correctly—"driven by exports," and you didn't foresee any major job losses in this year, and so on.

Then later on in your presentation you went on and you said, "Well, gee, there's this restructuring that's taken place," and the rest of it, and because the prices for goods are essentially the same as they were in 1989, and you wanted to have an example—and you said that wages were up by 20%?

Dr Myers: Since 1989.

Mr Perruzza: Since 1989. Across the board in the industry?

Dr Myers: Yes, the average wage.

Mr Perruzza: Then you talked about how there are going to be future job losses. So the beginning part of your presentation and the latter part of your presentation essen-

tially contradicted each other, and I just—for the record, please, if you can clear that up.

Dr Myers: Sure. Thanks very much. In 1992, jobs overall, net job creation more or less was stable in manufacturing. I think what we saw, though, during that period of time, was probably a more dramatic loss of middle management positions. The jobs that were being created were part-time rather than full-time employment, and probably a little bit of strength in blue-collar job creation. But I certainly don't intend to suggest that the job situation is secure or stable in the industry at all, and I do expect to see 20,000 to 25,000 jobs lost this year in manufacturing because of the cost pressures that remain.

So I guess, in short, those pressures that were there from 1989 to 1991 are still very much there; that we saw some stabilization last year. Most of the job losses that we probably will see occurring this year will be middle management positions again, and time after time I hear companies say, "Well, these are jobs that do not add direct value to what my company is doing." But you can only cut so many jobs before the business fails, and one thing that didn't stabilize last year was the number of bankruptcies: across Canada as a whole, 1,200 bankruptcies in manufacturing. About a third of those occurred here in Ontario, a disproportionate share given the number of companies operating. Particularly with smaller industries I think we'll see tremendous pressure to reduce costs again, and for many companies the only cost that can easily be reduced today is, unfortunately, your labour cost.

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Mr Perruzza: Just to clear up on the wages, 20% since 1989 when everyone else and everything else is telling us that, by and large, people are taking rollbacks in wages in the private sector. In fact, my colleague mentioned earlier today—and I didn't know this figure—that private sector wages are up 2.3% or something. I don't know where he got that figure, but he's saying that, and you're saying that in manufacturing it's 20%. Where? Who?

Dr Myers: Since January 1, 1989, across the sector as a whole, it is up by 20%.

Mr Perruzza: Is it at the top end? Is it at the bottom end? Who is it? Is it the executives?

Dr Myers: These are average wage rates. These are the wage rates paid for hourly work—production workers. But I agree that the wage increases—

Mr Perruzza: Production workers?

Dr Myers: Well, people who are earning hourly wages. They're not salaried positions. These are hourly wage rates that are up by 20%. But I have to say that yes, the rate of wage increases across the industry is now running just a little bit over 2.5%. It's not that great. The major increases occurred in 1990 and 1991, at a time, though, that selling prices of goods were falling during that period. What you see is basically companies trying to keep their unit labour cost—the labour cost per good they're producing—in line with the price change. Unfortunately, that's what has been driving the unemployment that we've seen during that period of time.

The Acting Chair: Mr Perruzza, we have to go on to Mr Kwinter.

Mr Kwinter: Gentlemen, in your presentation you talked about—certainly Jay talked about how the activity has been export-driven and how the domestic market is relatively flat, and yet we hear those critics of the free trade agreement saying that the free trade agreement has been devastating to the Canadian manufacturers. What is your response to that?

Dr Myers: I think the only way I can respond is that the real weakness has been in the domestic market. Certainly, it's a fact of life that companies in this country have to export. In a certain sense, it's the specialization we are looking for. The only way today that a manufacturing company can stay in business, creating value, is to specialize in what it's producing, either through quality or the market it's selling into. What many companies find is that the domestic market is just too small, and certainly all the interprovincial barriers to trade exacerbate that problem. So the export side is very important.

When you look at the import side, and I suppose that is where many of the critics of free trade are aiming their view, let's take a pretty realistic view here. From 1987 to 1991 the Canadian dollar ran up in value by 21%. Since the free trade agreement came into effect, the elimination of tariffs had the effect of reducing the price of imports by 0.5%. In other words, the appreciation of the Canadian dollar had 40 times the impact on import prices that the free trade agreement has had.

In short, my answer is that it's very difficult to say that free trade has created the problem. I think we have a lot of problems right here at home, starting with the monetary: the overvaluation of the Canadian dollar. Perhaps we should focus our attention there and realize that the free trade agreement and NAFTA are both more or less recognition of realities that are there in business. Business has to, and is, operating internationally today. I think the big question is, do we want it to operate in Canada at all today?

Mr Kwinter: Eric, you made a statement to the effect that you're calling for a balanced budget in three years. When the Treasurer brought down his budget in 1990 he took the unusual step of projecting the economic sort of forecast for the balance of this government's term. By the end of their term in 1995, his best-case scenario would be a deficit in the \$7-billion range. Since that time, all those figures have been altered, and if anything, each year, instead of the deficit coming down, the deficit's going up. I'm just wondering how you thought or how you expect or what recommendations you have for this government to balance its budget in three years, given the reality of the situation.

Mr Owen: Really and truly I think they will not meet that target. The expectations are that we would hope that it would be the case, and we can always hope this, and from the point of view that if we see growth the way we would hope to see growth, we would be able to see the government benefit from growth through increased corporate taxation, increased personal income taxes and, more importantly, con-

sumption taxes, although being realistic, I don't think it's really on the cards that they will meet it. Even talking about the total deficit in Canada, which is about \$60 billion this year, even at a growth of 6%, 6.5%, 7.0%, by the year 2000 we won't grow out of this. So really and truly, to expect growth of 6.0% seems pie in the sky as well, but I guess we can always hope.

The Acting Chair: Thank you, Mr Kwinter. We have to go on to Mr Sterling.

Mr Sterling: I'm going to ask the first question and then Mr Carr will ask the next one.

We had an interesting presentation early in February, or it might even have been the latter part of January, by Leo de Bever from Nomura investments. Mr de Bever talked about the growth in the service sector and in the manufacturing sector. I just wanted your comments with regard to what has happened in Canada over an extended period of time and what we might expect over the next 10 years.

He claimed that the increase in world demand for manufactured goods went up—I can't remember whether he said 2% or 3% a year—and that the demand for services went up by about 3% as well. He claimed, however, that productivity rises at approximately 3% a year in manufacturing and at maybe about 2 points per year for the service sector. Therefore, his conclusion, which he claimed he was making in 1981 and was saying in 1991 and 1992, was that in real terms there aren't any more jobs in manufacturing worldwide, because the productivity catches up with the demand worldwide, whereas with all the new jobs, where people have said they'd come, in the service sector, that's a natural outflow.

I guess you'd have to look at it globally. From 1981 to 1991 or 1992, whatever 10-year period you want to look at, has the number of people involved in manufacturing increased in numbers or has productivity kept those numbers pretty constant? I guess you'd have to put in the caveat that you would be maintaining the same market share.

Dr Myers: I think what you'll see in every major country, and particularly here in Canada, is that the number of manufacturing jobs has fallen as a proportion of total employment and that in many countries—and, again, you've seen it probably here in Canada particularly over the last two and three years—companies are contracting out services that were once performed in-house. Now they are being contracted out to consulting engineers, to administrators, to accountants, to design people and so forth.

But I see a change in the nature of manufacturing. It's those services that really add value to manufacturing today and those services that are still very, very important in manufacturing and I think it's in a way a little misleading to look at business today and try to separate manufacturing from the services sector, or at least to construct policies for both, because it's a much more integrated whole, and particularly with the technology that is there today, the strength of the Canadian economy is really going to be based on how small companies in particular, service companies, can link in to manufacturing.

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The Acting Chair: You have a minute left, Mr Sterling.

Mr Sterling: Okay. The other question I have to ask is that it appears, if you read the new management techniques in the manufacturing of the future, that the sales person will be going in to a customer and saying, "What are your needs?" and that sales person will be a facilitator in bringing the various parties together to meet those needs. Is there any attempt by manufacturers in Ontario to band together and say, "Okay, we are auto parts people, we are airplane parts people, we are telecommunications people," to band together in what I guess you would loosely define as trade companies or whatever, to have people going out and bidding on behalf of not only one supplier but a group of suppliers?

Dr Myers: There are lots of examples of companies, especially small companies, working much more closely together in computerized networks and so forth. I know of one group of companies—this is based on the Italian ethnic business association—that is working very closely with a number of manufacturers, where they are acting as basically sales agents on their behalf in a number of developing countries. I think that's a very positive step. So yes, but I guess it does come back to when you're looking at supply-side policies and trying to push companies to adopt technology or to get better management or whatever, you can only go so far because sooner or later you're going to end up with this money problem. It costs money to make those changes, and if you don't have the money, it becomes very difficult to make the changes.

On the whole, companies in Canada don't have the money today. In an eight-hour production shift, for example, it takes an average company in Canada about seven hours and 52 minutes simply to cover operating costs, another 5 minutes to pay taxes and you've got about 3 minutes to make any money to reinvest in your company and the technologies or the management changes or the training you require in order to do what you're suggesting. So it's a very difficult problem today to get to where we want to be from where we are.

The Acting Chair: Dr Myers, Mr Nykanen, Mr Owen, representing the Canadian Manufacturers' Association, thank you very much for making your presentation before the committee today. Have a safe trip home.

ONTARIO GOOD ROADS ASSOCIATION

The Acting Chair: The next group presenting before the standing committee on finance and economic affairs is the Ontario Good Roads Association. Many of us were recently at Good Roads, and I welcome you before the committee today. Make yourselves comfortable, and if I could have everyone introduce themselves into the microphones for the purposes of Hansard, I would appreciate that very much, and then you can proceed with your presentation.

Mr Viktor A. Silgailis: I thank you, Chair, and members of the committee. My name is Vik Silgailis. I'm the president of the Ontario Good Roads Association and I'm the commissioner of works for the regional municipality of Durham. Gerry, you can introduce yourself.

Mr Gerry Lalonde: Good afternoon. My name is Gerry Lalonde. I'm a councillor for Cumberland township in the Ottawa-Carleton regional government.

Mr Leonard Rach: Good afternoon. My name is Leonard Rach. I'm director of engineering for the Metropolitan Toronto transportation department and I'm OGRA's first vice-president.

Ms Sheila Richardson: I'm Sheila Richardson, executive director of the Ontario Good Roads Association.

The Acting Chair: Thank you very much. Please proceed.

Mr Silgailis: OGRA represents over 750 municipalities across Ontario. Our members range from small rural municipalities to the municipality I work for, the region of Durham, and we speak on behalf of and with the support of our membership on a variety of road and transportation issues.

At the outset, I want to say that OGRA is well aware of the push-and-pull pressures that governments at all levels are feeling. Municipalities, as well as the provincial government, are being required to meet unprecedented demands with shrinking resources. I would like to take this opportunity to congratulate the provincial government on two recent initiatives to meet these challenges.

Firstly, the new framework for strategic capital investment in Ontario: The government has recognized transportation as one of the five areas vital to the province's plans for economic renewal through capital spending. The creation of the Ontario Transportation Capital Corp to finance and implement major public transit and highway construction projects will accelerate much-needed transportation projects in Ontario.

Secondly, the Premier's announcement of a major capital investment plan: The government of Ontario, together with municipal and private sector partners, will invest about \$6 billion in the province's infrastructure. Of this, \$900 million will be spent in 1993-94 on the construction and development of provincial highways. Ontario Good Roads applauds this recognition of the importance of Ontario's transportation system and the economic importance of investing in transportation infrastructure.

This afternoon, we would like to offer some comments which hopefully will assist the government in its deliberations to map out strategies to ensure that Ontario's transportation infrastructure is maintained during these tough times, and indeed how the transportation system can assist in the return to prosperity.

We know financial predictions are hard to make and financial commitments are even harder to keep, but the Ontario Good Roads Association was keenly disappointed when the Treasurer announced that the 2% increase in unconditional transfers for 1993 is a one-time payment and will not be built into the transfer base. Municipalities were advised at the same time that the 2% increase scheduled for 1994 will not be forthcoming.

When the three-year announcement was made last year, it was seen as evidence of a provincial government committed to a partnership with municipalities. The abandonment of the commitment and the withholding of prom-

ised transfers will cause future endeavours to be cautiously received.

We understand that in its submission to this committee, the Association of Municipalities of Ontario recommended that the province make a three-year announcement of unconditional transfers on an ongoing basis, that the province honour its earlier commitment to increase transfers by 2% in 1994, and that unconditional transfers in subsequent years be increased at a rate sufficient to meet increases in provincially mandated, municipally administered programs. OGRA supports these recommendations.

The Minister of Transportation recently announced that \$741 million would be allocated to municipalities for the construction and maintenance of municipal roads. This is a decrease of approximately \$20 million over last year. Again, we feel that conflicting messages are coming from Queen's Park. The reduction of funds flowing to municipalities, which are attempting to achieve the same transportation goals as the province, would seem to be at odds with the Premier's announcement regarding investing in infrastructure under the capital investment plan.

I want to take a moment to speak on the Ontario Good Roads Association's position on the issue of disentanglement. As you know, the major provincial-municipal initiative during the past several months has been the negotiation of phase 1 of disentanglement. Under the proposed phase 1 of the disentanglement agreement, approximately 2,100 kilometres of provincial highways will be transferred to upper-tier municipalities in southern Ontario. The dollar savings for the province from this transfer is estimated at \$40 million, which will be deducted from the funds allocated by the Treasurer to the Ministry of Transportation.

The Ontario Good Roads Association believes it is imperative that the allocation of funds to the Ministry of Transportation of Ontario not be further reduced following implementation of phase 1 of disentanglement. Investment in and maintenance of both provincial and municipal roads infrastructure must remain a priority in the allocation of funds by the provincial Treasurer.

While the Ontario Good Roads Association supports the overall intent of disentanglement, that support is contingent on fiscal neutrality for each municipality. The only transportation component in the proposed disentanglement deal is the transfer of provincial highways to upper-tier municipalities. Possibly the most important advantage of the proposed deal is that local spending on roads should be more stable and not subject to great fluctuations due to changes in welfare spending, which are mandated through provincial policies and not currently subject to local control.

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However, the information that has been published showing the financial impacts on municipalities directly attributable to the transfer of highways excludes reference to several issues as yet unresolved. These include, among others, capital funding arrangements for infrastructure—for example, bridges—funding for connecting links created by the transfer of the highways, and special arrangements for townships which are not currently part of a county road system, but through which the highways to be transferred

run. The Ontario Good Roads Association has recommended to the standing committee that these concerns be reviewed and the fiscal implications resolved, and that municipalities impacted by the issues receive appropriate credits to ensure fiscal neutrality.

I want to take a moment to address in greater detail one of the recent initiatives announced by the government. The Ontario Good Roads Association endorses the introduction of toll roads. The association agrees with the government and other groups that accept the fact that tolls are a realistic alternative and an innovative means of raising capital and establishing partnerships with the private sector.

The Ontario Good Roads Association's support is, however, conditional on many of the conditions already identified in the provincial policy. Only new roads should be considered for funding by the use of tolls. There must exist an alternative route for motorists to use that would not require the payment of tolls. All money collected must be dedicated for expenditures on the capital and administrative costs of that roadway. When the capital costs of the road are paid off, the tolls must be removed.

The introduction of tolls must not be used by the government as a reason to reduce the present funds spent on roads. Dedicated funding for roads is a long-standing position of the Ontario Good Roads Association and we support tolls on this basis. The Ontario Good Roads Association also maintains that a dedicated fuel tax is a practical and palatable way of funding road projects.

The Ontario Good Roads Association has also discussed the potential for toll roads at the municipal level. The association believes that if there is a major congestion problem on an existing municipal artery, a cost-benefit analysis might justify the construction of a new roadway. Therefore, the need for and possibility of municipal toll roads cannot be completely ignored. When the provincial government passes legislation to create provincial toll roads, the legislation should be permissive enough to allow municipalities to implement this and any other new funding systems for municipal roads.

As I mentioned earlier, municipalities are experiencing the same frustrations in attempting to maintain services with declining revenues, but many municipalities have met the challenge with creative alternatives to traditional operations. There are increasing numbers of examples of municipalities working together and with MTO to reduce costs and maintain municipal road services. Joint purchasing and tendering, equipment sharing and coordinated staff training are becoming integrated in municipal operations and we will see more in the months ahead. I mention these examples to show that municipalities are not relying totally on the provincial government to help them in tough times, but are identifying and initiating innovative and creative ways to cope with new fiscal realities.

I would also request that the province continue in its efforts to announce its annual transfer payments to municipalities as early as possible. Municipalities are especially dependent on timely announcements of municipal road transfers in order to plan and undertake construction and maintenance projects each year.

We want to thank you for allowing us to speak to you this afternoon. I hope our comments will be useful and your deliberations fruitful. We wish you well.

The Acting Chair: Thank you, Mr Silgailis. We have five minutes for caucus. First, Mr Brown.

Mr Michael A. Brown (Algoma-Manitoulin): As you might realize, a northern member in a largely rural constituency hears probably more about roads than any other issue, and certainly from my friends in municipal government about roads and funding.

When I was listening to your brief, I was impressed by the numbers going down in terms of expenditures—I think \$20 million less this year. Is that correct?

Mr Silgailis: That's correct.

Mr Brown: To be fair to the government, I think one of the questions we have to ask in this climate is, what kind of economies are you finding? We have a market that is relatively soft in the construction field these days. Prices are better. Are you getting more bang for your buck? That's what I would consider to be a fair question.

Mr Silgailis: This was one of the arguments advanced by the Ministry of Transportation, that tender prices generally are coming in less so that maybe we will achieve the same amount with the reduction. I don't know whether that is the fact everywhere.

The fact is that we have taken such big hits in the past. In my own municipality, I had to come in with a budget of minus 11% in the works department in order to bail out welfare. We're falling way behind in our infrastructure. We spent beyond the subsidy level in the past, but now we cannot raise the dollars to do that.

Mr Brown: On that topic, I noticed your concern with the disentanglement process. I think you're reflecting the views of municipalities, certainly those I represent. They're very concerned that this may be just a downloading exercise, and they're worried about what may happen in the years to come, that in actual fact they may continue to take the hit in terms of paying more money for roads and the maintenance thereof.

Have you received any assurance from the Minister of Transportation or the Minister of Municipal Affairs that this won't be the case, that this is in fact a one-time situation and that things will go on from here as what one might call normal?

Mr Silgailis: We have no commitment for the future. This is the deal that's been put in place for this particular situation.

Mr Brown: One of the government members will probably want to give you that assurance when it becomes their turn to speak. Mr Sterling agrees.

I was interested in your comments about toll roads, particularly when you got to talking about toll roads for municipalities. I was having a little difficulty trying to envision what that may be in a municipality, so maybe you could help me with that, with an example perhaps.

Mr Silgailis: Maybe Mr Wiseman could relate to a situation. We're building a major bridge in a region of Durham, and it's a possibility that a toll may work in that

situation. We're not suggesting it at this stage, but it's a principle that we are sort of applauding.

We're saying that the way the funding is coming now, it's just impossible to get some of the major infrastructure put in place. So there's possibly a mechanism, if partnerships can be developed with private enterprise or whatever. If tolls are one method of maybe collecting the funds and paying back the original investors, we applaud that principle.

Mr Brown: The other thing I thought was important in your brief was that you indicated that there was a real need for governments to indicate at least three years in advance what the funding for roads would be. When you're planning your maintenance and planning new construction of roads, certainly you have a long look down the road—that's kind of a pun—to see how you're going to do it and the most cost-effective ways. It seems to me that without that kind of commitment, you increasingly have a difficult budgetary process, given, as you said, the pressures on the municipalities to come up with money for other programs.

Mr Silgailis: That is definitely the case. We live in a complex world. It's impossible now to launch anything in one year, with all the environmental concerns etc. Three years is the minimum lead time.

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Mr Sterling: Thanks very much for coming in front of us. I think you've put your position forward clearly with regard to disentanglement and toll roads. I want to tell you that I do not like the introduction of toll roads, not without a coincident reduction in the gasoline tax. I think that people in our society in Ontario are perhaps somewhat attracted to this notion because they've seen it in the United States, but when you compare gasoline taxes, in some of the northern states in particular, with our gasoline taxes, we outstrip them either two to one or three to one in terms of those gasoline taxes.

I think toll roads are attractive to me in terms of saying we want to attract our tourist industry, but we want to replace gasoline taxes with toll roads. I don't think that we should let governments off the hook. I'm not only saying the NDP government or the Liberal government; I'm talking away back into the Conservative government when the amounts expended on the resource side of government—and I consider you on the resource side of government—started to decrease as a total amount of the budget, and that squeezing has continued and continued.

But the big problem I find with groups such as yours is that the resolution to your problem doesn't come from asking the government to reallocate resources. It comes from saying, "Get more money out of the taxpayer," and this is a method of getting that money. That's the big problem we have, in my view, in the global sense of it. I understand your attraction to it because you've not been done well by by any of the governments over a long period of time, and I think this is a last straw kind of plea in order to get decent money into your area. I understand, as a civil engineer, the need to maintain roads because of the huge costs once you let a road go downhill and you don't take on the maintenance of that road within a reasonable time.

The question I'd really like to go to, however, is within your own municipal areas. I'm intrigued in the United States, where state governments in particular have found alternatives and county governments have found alternatives, with regard to how they provide services to the public. What they've done is they have said, "Our job is to maintain the roads. Our job is to provide the roads. Our job is to clean the roads when the snow comes. We don't really care whether the public sector does that or the private sector does that," and they are contracting out large chunks of maintenance work. In terms of the construction area, we already contract that out.

Are there many municipalities in Ontario looking at that option or doing that option now? I mean, it just seems ludicrous to the public, I must say, that you have people sitting around in a township garage or a county garage or a regional garage doing nothing all day because there isn't any snow that day.

Mr Silgailis: To respond to your question, contracting services has been a very common practice for many, many years, and is probably becoming more and more common. As we pointed out, some of the smaller municipalities are pooling resources now and also looking at more efficient ways of accomplishing this thing, and maybe some of my colleagues want to comment. Len is from Metropolitan Toronto, and I believe he said it was a very common practice in Toronto.

Mr Rach: In Metropolitan Toronto, we have contracted out all of our electrical services for the traffic signal system for years and we do considerable contracting with respect to our maintenance activities. In our winter maintenance, all our salting and plowing is contracted out at the present time as well as a good portion of our grass cutting in the summer. So, yes, we're always looking at different ways of cutting the cloth, so to speak, and contracting out is always at the top of the list in looking at alternatives.

Mr Sterling: Does anybody compare costs from municipality to municipality as to how much it is costing to keep a certain kind of road maintained in your municipality versus the other? I guess I'm concerned about how a taxpayer knows whether municipality A is doing as good a job or a worse job than municipality B in keeping its roads in shape. Are any comparisons made between you as to who's doing the best job for the least amount of bucks?

Mr Silgailis: Yes, to answer a question, it is being done and of course we are tied in with the Ministry of Transportation which provides subsidy, and the subsidy's provided on a needs basis. In order to work the formula you have to look at the miles of roads and the cost of equipment and labour in that particular district.

At the Ontario Good Roads Association we are very much promoting exchange of information. We have a planning and productivity program where we publish information and articles of comparison and we have a productivity manager who travels around the various municipalities and creates that type of a dialogue so that the municipalities stay in touch with that particular aspect.

Mr Perruzza: Just to get this cleared up, you're saying you're getting \$20 million less per year now on roads than you got last year.

Mr Silgailis: That's correct. That was the announcement by the minister to the Ontario Good Roads Association.

Mr Perruzza: You're transportation commissioner for Durham, right?

Mr Silgailis: Yes.

Mr Perruzza: Do you not get any money from the Jobs Ontario Capital program for roads and bridges? Did you not get any money from the anti-recession package? These are funds of billions of dollars, right, and these moneys are being directed all over Ontario for major road repair and road construction.

Mr Silgailis: My understanding of Jobs Ontario, and this is what we said in our brief—we are commending the government for having announced such an ambitious program, but this was also provincial highways. The municipalities did not receive any money, to my knowledge, under that program.

Mr Perruzza: One other question: You received no money under that program?

Mr Silgailis: No.

Mr Perruzza: Either the anti-recession, the \$700 million, or the \$2.1-billion Jobs Ontario Capital fund, which is mostly slated for roads, bridges, water services, sewers and that kind of thing—you didn't get any money from that?

Mr Silgailis: For water and sewer—

Mr Perruzza: I mean, the fund was created for that, but roads is a huge component of that entire fund. Maybe my colleague from Durham can speak to that, if he has any statistics.

In this kind of climate and in the middle of a recession, do you not think it's wiser to invest moneys in major roads and roads that provide the infrastructural supports for business and that kind of activity rather than paving over a cul-de-sac because a councillor decides to drive by and the road's a little broken down and a couple of people in that cul-de-sac have helped him out in a campaign and they manoeuvre the political will to pave over that cul-de-sac?

Mr Silgailis: First of all, you've picked a very unfortunate example of cul-de-sacs, because we have some pretty major regional roads that are not cul-de-sacs that are suffering as a result of insufficient funding.

In response to your Jobs Ontario, I do have the announcement and it says that in total \$900 million will be spent in 1993-94 on the construction and development of provincial highways; specifically provincial highways, not municipal roads. Basically, as I said in our brief, we are expressing concern that the funding on average is reduced by \$20 million over last year.

Mr Perruzza: I find that really surprising. My colleague wants to ask a question.

The Chair: I'm sorry, Mr Wiseman.

Mr Wiseman: Oh, it's so fast.

The Chair: Your committee caucus member took all your time up.

Mr Silgailis: We'll talk in the corridor.

The Chair: You can ask the question in the hallway, Mr Wiseman.

I'd like to thank you for appearing before the committee today. I'm not trying to rush you off.

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ASSOCIATION OF CANADIAN DISTILLERS

The Chair: The next group to come forward is the Association of Canadian Distillers. Would you come forward please. We're just waiting for the overhead to come. Can you start your presentation without the overhead or do you need it at the very beginning?

Interjections.

Mr Tim Woods: Mr Chair, have you used projectors and overheads here before or am I breaking—

The Chair: Yes, as long as we've got all the equipment here, that's all. Sometimes some of the presenters will bring their own, so we never know what's happening ahead of time.

Mr Woods: You never know what's going to happen. Perhaps while we're getting the equipment, I could at least introduce our delegation.

My name is Tim Woods and I'm the Ontario director of the Association of Canadian Distillers. John Ellis is the economic director for our association. Guy Paquet is a vice-president with Seagram Canada, Ian Cray is from Gilbey Canada and Bob Duddy is from Hiram Walker. Also with me today are some colleagues back here. Could you just introduce yourselves here? Fred Lang, just put your hand up there, and Brian Kirkwood.

Mr Steve Poirier: Steve Poirier from Bacardi.

Mr Peter Chubb: Peter Chubb from Corby Distillers.

Mr Woods: We have about another 25 outside.

The Chair: You've covered the whole province then?

Mr Woods: That's right, every one of our industry workers. We're very pleased to be here today and very pleased to participate in this forum. The association represents about 95% of the Canadian distilled spirits industry, a majority of which is located here in Ontario. We're very concerned about the future viability of our industry, though, so we come at a very difficult time in the history of our industry. I wish to share with you some of the numbers and problems we face.

Primarily, taxation is the root of our 10-year decline. I know you will be happy to hear that we're not in fact here looking for some kind of special treatment or dispensation in terms of our competing industries or other industries in Ontario. What we are looking for, however, is a degree of fairness in terms of the way the government of Ontario deals with the taxation, distribution, sale and promotion of our products vis-à-vis our competitors in the wine and beer industry.

First of all, I want to give you, in this brief introduction before questions, some sense of the scope, the size of our industry. Hopefully, some of this material or information will be familiar to you, but I wouldn't be surprised if some

of it is a little bit of a shock, or at least a surprise, in terms of the scope.

The total retail value of beverage alcohol products sold, and by that I include beer, wine and spirits, in Ontario is about \$11 billion. That was in the year 1991. Distilled spirits account for about 30.6% of this, or \$3.4 billion. Here in Ontario the total retail sales value of beverage alcohol was \$4.1 billion. That's \$11 billion nationally and \$4 billion here in Ontario. Of this, the spirits industry accounts for 32% or \$1.3 billion in terms of sales. There's that chart there.

Despite the significant share of the market that spirits have in Ontario, our manufacturers actually receive \$263 million, or 6.35% of the provincial retail sales value of all beverage alcohol products sold in the province. This is less than the value received by the wine producers and significantly less than the revenue received by the brewers.

The distilled spirits industry is a major source of revenue for both the federal and provincial governments, and obviously you must be greatly concerned with the supply and distribution of revenue. Together, the beverage alcohol sector generates about \$2.5 billion in net revenue in taxes and markups just from the sale of spirits; domestic spirits made here in Canada generated \$2.5 billion, of which the government of Ontario, in the most recent figure, received some \$763 million. That represents, just to flashback quickly, about \$500 million more than the spirit manufacturers themselves received from the sale of the products.

In terms of employment, the industry provides direct employment for some 4,300 Canadians, of which 2,200 are employed here in Ontario in plants across southern and central Ontario. If you take into consideration indirect employment of another 5,300, some 4,000 of those jobs are also located here in Ontario. Of course, in addition to that there are some 13,000 people who are employed nationally by the various liquor jurisdictions. I think there are about 3,500 current full-time jobs at the LCBO here in Ontario.

The industry makes a significant economic impact on the province of Ontario, and the upstream economic impact of the distilled spirits industry in terms of output and employment generated in all the industries supplying our industry is estimated to be some \$380 million. As you can see up on the chart there, this is the direct economic activity here in Ontario: \$380 million, \$35 million of which is in agricultural inputs. We have \$105 million in packaging; \$33 million in distribution; \$125 million directly in wages; taxes paid to municipalities and such. The "Other" comprises such things as advertising. So that's \$380 million of direct economic activity, and any kind of multiplier—or even the most unreasonable would be one, so you'd be looking at \$800 million worth of economic activity. If you combine that with the \$760-million-odd in tax revenue, you're looking at Ontario with about \$1.5 billion worth of economic activity generated by just the sale of our industry's products here in Ontario.

I hope this number will come as a bit of surprise, at least to some of you, because it's almost a hidden secret, and that is the value of our exports. There are some \$487 million in exports by the Canadian spirits industry, primarily to the United States, generated on an annual basis, and

most of those exports, about 52%, were exported out of Ontario, or 52% of our total production and 65% of the exports. One of my favourite statistics in this area is that 12% of the American market for spirits is made up of sales of Canadian whisky. If you think about that, we have 12% of their spirits market in the United States. Another fact that comes to mind in terms of relative terms: Canadian beer has a fraction, or 5%, of the American market for beer. In terms of the top 25 brands of spirits that are sold in the United States, brands that you would have heard of, I'm sure, five of those top-25-selling brands of spirits in the United States were brands of Canadian whisky. Even more remarkable perhaps is that there is not a single brand of Scotch whisky in that top 25. So Canadian whisky, largely made here in Ontario, has a 12% share of that market; five of the top 25 brands are brands of Canadian whisky competing with rum and vodka and so on, and we have some 12% of the entire market, compared with a much smaller fraction for Scotch whisky, which we are all more familiar with typically as an export product.

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Taxation of all beverage alcohol is unfortunately not based on its primary ingredient, ethyl alcohol. I want to note that in terms of a standard serving, which historically has represented 1.5 ounces of spirits in a mixed drink, a 12-ounce bottle of beer or five ounces of wine—I hate to use the old-fashioned measures, but I'm going to be 40 this year; I can't really get the hang of metric yet—they contain the same amount of alcohol. But these products are not taxed based on that quantity, even though that would be the argument. If you were asked as politicians to explain why it is that alcohol is taxed, you'd say, "Well, these are special products," and so on.

This table up on the chart now condenses all of the gobbledegook in terms of federal taxation and puts it down to taxation in terms of litres of absolute alcohol. If you took out all the liquid and left strictly the alcohol, what would the rate of taxation be? This is what's looked at in Europe and around the world in terms of measuring how the system is taxed.

As you can see up there, the federal government has a system that has almost double the rate of taxation on alcohol and spirits versus that going into beer and about two-and-a-half times the ratio in terms of wine. That always has a tremendous impact on price and, as you may know, taxation represents about 83% of the overall retail price. So in the LCBO, when you buy a bottle of Canadian whisky, doing your patriotic duty, some 83% of that price is taken up by taxation from either federal or provincial levels of government.

The province of Ontario also applies a number of taxes, three additional kinds of taxes on beverage alcohol: One is an ad valorem markup which varies according to the type and the source of the product; a flat levy which is, if you will, an environmental levy charged on each container sold; and of course the retail sales tax which is 12% on the basic retail price added on at the LCBO, or actually only 10% of it's sold through a licensee, a bar or a tavern.

So the table below demonstrates how the province's markups on beer, wine and spirits work out. You can see

that when the LCBO receives these products it has its own yardstick which it applies and the markup on spirits is some 131% to about 138%; beer, it's about 21%; and wine, it's something in the neighbourhood of 34%. This is for Ontario wine as opposed to, say, Ontario spirits.

If you look at the two categories of coolers, spirit-based coolers and wine-based coolers have 5% alcohol by volume. To the consumer, they are identical products. When they go into the LCBO they are put in the same place in the stores. They contain the same per cent alcohol. They're manufactured by people living in the same province. Almost without exception they are manufactured here in Ontario with Ontario agricultural products. Men and women working in one plant might be just a mile down the road from men and women working in another plant where they make wine-based spirit coolers. However, the taxation is significantly different, with a markup of 61% versus 47% even though the distribution channels are identical. So it is extraordinarily without justification or without any rationale that we're aware of that could justify that.

So taxation on markups by the federal and provincial governments translates into about 83% of the retail value of distilled spirits, leaving about 17% for producers. By way of contrast, about 45% is left over to Ontario beer producers for the sale of their product and 39% of the retail sales value of Ontario wines goes to the wine producers.

Once again, to give you a bit of perspective, there really is no other product in Canada that is so highly taxed as spirits. In fairness, if you asked the typical consumer what the most heavily taxed product in the marketplace would be, I would imagine many of you would put hands up for tobacco, when in fact at this point none of tobacco, gasoline, beer nor wine compares to the markup rates on spirits.

Now, despite the relatively low contribution made by wine producers to the Ontario revenue situation, the Ontario government has put in place a number of wide-ranging support initiatives for vendors. These have included, over the past number of years: guaranteed listings, which means that the vintner would show up and say, "I have a new brand of Ontario wine," and then it gets guaranteed immediate access to the marketplace; special display opportunities within the LCBO; preferential markups, which of course became the subject of a GATT controversy; within the last 10 years, funds were taken by the Ontario government from general revenue for television advertising campaigns promoting Ontario wines; and there have been moneys made available for farmers supplying the industry and also capital input support for the companies.

I note that our industry has not objected to these support measures. We understood why the domestic industry was being assisted, and in fact we're not here today to ask for any of those comparable support initiatives. However, the ACD believes that the current taxation structure should be amended to make it more efficient and more equitable. We strongly believe that a fair sales tax system should treat competitors in a marketplace equitably without favouring particular firms or products.

The impact of this unfair burden on our industry has been profound. While spirit sales have declined considerably since 1981, the retail price of spirits has increased

markedly during the same period. The decline in spirit sales is mostly attributable to increases in the rate of tax on our industry's products, and the effect this has had on the retail price for consumers has been dramatic.

Spirits are relatively price-elastic. Therefore, each increase in the price from taxes and the resulting increase to the consumer is accompanied by a corresponding decline in sales. If governments continue to increase taxes on spirits, there is growing evidence to suggest that these revenues will continue to decline. The decline in spirit sales has had such a serious negative impact on our industry that we've seen a dramatic decline in the number of manufacturing plants here in Ontario. Back in 1980, there were 14 distilleries in operation. Since that time, seven have closed. As a result of those plant closures, we've had a loss in direct employment of about 32% from 1980 to 1990. That translates into about a thousand jobs.

Unfortunately, we are expecting this trend to continue, through further rationalization and takeovers, unless something is done to recognize the plight of the industry. I think you would all agree that it wasn't very long ago that we were reading about the concern of the LCBO employees' union when it was looking at a relatively small but significant number of job losses, in the magnitude of about 150, as I recall. We've lost about a thousand jobs over the last decade; seven plants which won't pop back up. In orders of magnitude, I think that tells a bit of a story.

Also important to note is that if you were to allow spirit sales to decline further, the demand for product in the LCBO would correspondingly decline. They sell some wine, but there are wine stores outside of the LCBO distribution system, and there of course is the Brewers Retail system. Spirit sales basically justify the 4,000 LCBO jobs that are in place today, so they're at risk as well.

Beyond just the impact of the taxation itself, we wish to bring to your attention the perception that's created among consumers by this discriminatory level of taxation, where spirits are taxed at a rate double or triple the rate of taxation on beer and wine. It, among other initiatives taken by both federal and provincial governments, conveys to the consumer the perception that there is inherently something more evil about spirit consumption than wine and beer. Although this isn't true, it clearly leaves an impression with consumers.

If we're talking about promises of wine and beer in the corner store, what about spirits? Obviously, the perception is that this would be less appropriate. The federal government has legislation that allows beer and wine to be advertised on TV, but not spirits.

I could go on and on with examples of messages delivered by government saying that we have a double standard here. Presumably, the consumer, the Canadian or the Ontarian, should take some direction from those double standards, notwithstanding the fact that organizations such as the Addiction Research Foundation and others would tell you that a drink is a drink and that they treat them equally in terms of public health policy issues.

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The spirits sector, our industry, is not here today seeking any special treatment, but rather to ask you to recon-

sider the way in which these products are taxed and to plead for a more equitable taxation system. In 1990, our industry asked Canadians about the propriety of drinking, and some 91% of respondents said that they still believe there are occasions when it's acceptable to drink. We don't anticipate that tolerance for beverage alcohol in our society to change. Furthermore, some 75% of Canadians agreed that beer, wine and spirits should be taxed at the same rate, based on the amount of alcohol. I grant you that they may not have been totally conversant with how that would translate into prices and the mechanics of it, but conceptually, the point is that people on the street would argue that if you're going to tax alcohol products, the fairness should be based on the amount of alcohol in each kind of product.

We recognize that the Ontario government is facing serious financial difficulties and that a solution can't be arrived at overnight. However, we would ask you, given the fact that ours is such an important exporting industry in the province, with high-paid, organized jobs, commanding a significant share of the American market and so on, to take a closer look at our industry and see what can be done to recognize the trend lines in our industry and to work with us to do something about them.

Now, one component of this work that needs to be done was undertaken by the tax policy branch of the Ministry of Treasury and Economics in 1991, which agreed to establish a working group to look at the situation facing our industry. They were joined by representatives of the Association of Canadian Distillers, the Ministry of Industry, Trade and Technology, the Ministry of Consumer and Commercial Relations and the Liquor Control Board of Ontario. Their task was to set out and look for means by which we could measure the relevance of the distilled spirits industry in Ontario, the impact of taxation, the future of the industry and, I suppose, the equivalent of looking for a way to give the industry a tuneup, if you compare it to an automobile industry.

The working group examined three alternatives as examples of variations to the current taxation system, all of which were designed to be more equitable but revenue-neutral to the government of Ontario. I'm going to sum up these alternatives by notion.

The first is an ad valorem rate. Such a system would be simpler and would reduce retail prices of spirits and wines but would significantly increase the retail price of beer sold in the beer stores.

The second is a flat tax rate based on LLA, litres of absolute alcohol. This system would have a price impact similar to the simple ad valorem rate, but the impact on beer would be less severe.

The third is a combined single flat rate per LAA and ad valorem rates for domestic and imported products. Under this alternative, the retail price of spirits and wines would decrease but the retail price of beer would increase marginally.

The ACD is seeking a more efficient and equitable taxation system, and we would urge the government to consider these three points:

(1) That the Ontario government announce in its next budget a commitment to the principle of fairness and equality in the taxation of beverage alcohol products.

(2) That the government examine closely the alternatives identified by this task force.

(3) That the government continue to work with the ACD to find other ways to enhance the viability of our industry.

Our industry has made an important contribution to the province of Ontario; however, if we are to remain viable—indeed, even survive as an industry in this province—steps need to be taken and attention needs to be paid. Our industry is committed to working with you and with the government at all levels to find a more level playing field that will ensure our survival.

Thank you very much for the opportunity. You're obviously welcome to ask questions.

The Chair: What does your emblem stand for? I've been trying to figure it out.

Mr Woods: That's a glass. Beyond that, I'm afraid I'm not enough of a psychologist to tell you what else is in there. I know in the old days we'd be looking—

The Chair: It looks like water.

Mr Wiseman: It's wine from Niagara.

The Chair: Mr Sterling, you've got two minutes.

Mr Sterling: It doesn't leave me much time. One of the things that I don't think a lot of Canadians and Ontarians understand is that, of the top three distilleries in the world, we are blessed with having at least two in Canada: Seagram in Montreal and Hiram Walker in Windsor. People don't understand how much of the world market we have cornered in Canada and the support that perhaps governments should give back in recognition of having that luxury.

I think we're a long way from a level playing field, and I agree with some of your arguments. There are two factors I'd perhaps like to put into the three solutions you have mentioned in the summary. One is that handling or distribution costs must be greater for wine and beer because of the bulk of the product. Can you give me some idea of what that factor might be in terms of the total cost of the product?

Second, from my incomplete knowledge of the ratios in the United States, in terms of their taxation, how would the ratios on your LAA be in the United States? It seems to me that they must have an inequitable taxation scheme as well, if I compare the price of beer in the United States to the price of spirits there also. If we're going to be competitive in our taxation structure in Ontario, we can't be totally devoid of what's happening in the surrounding area, and the United States is of most importance to us.

Mr Woods: The relative levels of taxation in the US are considerably lower to begin with—

Mr Sterling: I know that.

Mr Woods: —but they are relatively closer as well. Among our industry, which is international, our environment would be considered particularly extreme in terms of the ratio of taxation one to the other. It does vary from state to state as well. There are provincial and state differences, but

Canada would be known internationally as a place of particularly high levels of taxation on beverage alcohol, period. Also, the ratio of discrimination would be relatively high here despite the fact that we're a spirit-exporting nation as opposed to, say, a wine-manufacturing and wine-exporting nation.

I'll have to ask a colleague if we know the first question about the distribution costs to the LCBO.

Mr Ian S. Cray: The distribution cost for the LCBO of distribution to the LCBO central warehouses is not covered within the taxation structure within the province. Our distribution costs are included for warehouse movement to store, and on that basis, the analysis would suggest that the weight of containers is not a significant factor in affecting distribution costs per case. On most occasions there are small deliveries made, and weight is not an inhibitor to the costs of distribution to the store.

Mr Sterling: Could I just say—

The Chair: We're way over time, Mr Sterling. Mr Dadamo.

Mr George Dadamo (Windsor-Sandwich): Thank you for the two minutes.

The area I represent in this Legislature takes in the Ambassador Bridge, and feet away is the tunnel, so we're into an endless mode of talking about cross-border shopping all the time. In the last year, year and a half, we've talked to various groups about how they're affected on cross-border shopping on whatever it is, whether liquids, foods etc. What I'd like to know is how it has affected your industry. I spoke to somebody last night whom I hadn't seen since high school; he had 19 years with Hiram Walker and just got let go about eight months ago.

The Chair: George, could you get to the question, please?

Mr Dadamo: I'm getting to the point. Whether they're smuggling the booze over, buying it over there, how is it affecting the industry?

Mr Woods: I think the LCBO has used an estimate that 25% of demand in Ontario is being met by purchases outside of Ontario.

Mr Kwinter: Thank you for your presentation. I'm very familiar with the arguments. I think the problem you have, and I don't have the solution, is one of both politics and perception. There's no relativity to the fact that 83% of your retail cost goes to taxes. When the Treasurer looks at revenue sources, he looks at spirit alcohol as being one that is an easy hit, because the only people who are going to complain are the distillers. That is one of the problems you have.

For whatever reason, there's a perception that beer is the working man's drink, wine is the drink of the beautiful people, and whisky is the drink of drunks. If you sat down and drank a bottle of wine, no one would comment. If you finished off a bottle of scotch, everybody would be talking about your doing it. So I think you have a perception problem. As I say, I don't support what I've just said about the perception, but it's there. It's something you have to deal with. I've seen some of your promotions where alco-

hol is alcohol is alcohol, but somehow or other, the message isn't getting through.

I know I was the minister who was trying to bring beer and wine to the corner store, and the minute you talked spirits, there was just no way. Beer and wine maybe, but spirits, no. How do you address that? How are you, as an industry, addressing that?

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Mr Woods: My operative answer to you is that I agree with the concern you raise. You say, "You have a problem," and you're right. We have a very serious problem. Before we came down here today, I asked to look for one more number. Heaven knows, we have enough numbers in this presentation and brief to fill a boat, but the question that we asked was, how much money has the government of Ontario lost in revenue as a result of the decline in spirit sales over the last 10 years? The number is \$370 million. I don't know how many people have been here today looking for some assistance from this government, but I suspect you could have helped out an awful lot of them if you had \$370 million in your pocket left over from sales of spirits.

We've lost seven plants. We've lost a thousand jobs. The government of Ontario has lost \$370 million. We're in it together. We take home \$263 million from the sale of our products in Ontario. You take home \$760 million. So we're in it together.

We may not have done the job that needs to be done to try to change that perception. I think you're right. Let's face it, we are Ontario; we're not the world. We're competing with perceptions that are there across the country and around the continent.

However, one thing that's different here in Ontario than in other parts of the world is that we are a net exporter. We're an export industry based here in Ontario. If you said, "Who in France is willing to stand up and defend the interests of the French wine industry?" you would have 50 million French men and women standing on their feet saying, "You bet I am." If you went to Germany and said, "Are you prepared to defend the export of beer from your country?" you bet they'd be on their feet. Now, if you're in Prince Edward Island, you might make a case to say, "Tax ain't the way," whatever is politically expedient, but here in Ontario it's our industry, our jobs, our exports.

Mr Kwinter: Just one quick question: There's also a problem with drinking patterns changing, like going away from the brown goods to the white goods. How has that affected you?

Mr Woods: These trend lines are difficult to read. You were saying from brown goods to white goods, and of course we make a brown good, a whisky. Certainly, the erosion in sales in Canada has been greater for Canadian whisky than it has for white goods. However, in the United States, our exports are still doing relatively well compared to, say, Scotch or bourbon.

There are some trends. We have an aging population. The aging population means that as people grow older, they tend to drink in more moderate ways. Historically, that's meant they often move from beer to wine and spirits.

What it may mean in terms of public perception, in terms of a change, is that because there is a more moderate environment for beverage alcohol, the trends and abuse of alcohol are all significantly down, as you would know as a former minister. Trend lines in terms of impaired driving and other indices of alcohol abuse have been going down dramatically, in part because we have an aging population and therefore it takes on a more temperate tone. That should help alleviate the political problem of saying, "We have an export industry here that we need to do something about."

I believe, and I'm sure the numbers will show, that people are less concerned about the levels of abuse. Even though intuitively they would cite spirits as a problem, if you said, "What about underage drinking? Which beverage alcohol product is most associated with beverage alcohol abuse among young people?" they'd say, "That would be beer." If you went to the Ontario Provincial Police and said, "Which beverage is most involved in impaired driving?" they would tell you their surveys show seven out of 10 impaired drivers were drinking beer.

Even though those two issues would be the number one and two issues in terms of, "I'm concerned about abuse of alcohol," "Be more specific." "Underage drinking and impaired driving," would be their answer. Those are more associated with beer consumption, but overall the perception is that spirits are somehow more harmful. There's a lag there.

We're not in the public relations business, obviously, so maybe we could use some advice on how to overcome that.

The Chair: We're going to have to wrap up. We've gone over a little bit. I don't know if Mr Kwinter could take that high octane and drink a whole bottle compared to a bottle of beer. I've got to try him on that one. Thanks for coming before this committee today.

ONTARIO CONVENIENCE STORES ASSOCIATION

The Chair: The next group to come forward is the Ontario Convenience Stores Association. Please take a seat. We have until 4 o'clock. I'd like to welcome you to the standing committee on finance and economic affairs. If you don't mind introducing yourself for the purposes of Hansard, you may begin.

Mr Russ Egerdie: Good afternoon, everyone, my name is Russ Egerdie. I'm executive director of the Ontario Convenience Stores Association. With me is Geoffrey Pottow who is also a director of the association. We're here today to address you concerning an industry which is in very serious difficulty. We're talking about the corner store, the variety store, the milk store, the convenience store. You have been given a copy of our presentation. I hope you will have a little time later to read it. Right now, I would like to save time by verbally hitting the high spots of that presentation and acquainting you with major, salient features in it.

The C-store industry in Ontario: This is an industry, to repeat, in major difficulty. There are about 6,000 stores in Ontario and over 50,000 Ontario citizens derive their livelihood from those 6,000 stores.

Our particular part of it, the Ontario Convenience Stores Association, has 11 organizations that operate over 1,400 C-stores in the province. We provide employment for 13,000 Ontarians. We purchase over \$500 million worth of products which we sell, all from Ontario wholesalers and distributors. We collect about \$32 million of retail sales tax for the government and we pay over \$12 million in municipal taxes.

The OCSA speaks not only on behalf of its own members, but over the years since 1980 we also have spoken on behalf of many of the independents who are unrepresented by any organization.

We come here today to discuss two problems. Our sector, the C-store sector, has been hurt badly by the wide-open Sunday shopping that started last June. That is complicated by the fact that in our communications with the government, government officials apparently feel this is not that important a matter.

Let's go back to the beginning a little bit. The C-store business was created many years ago by supplying essential consumer needs during the hours and on the days when other stores were not open; they were kept closed by government control. The industry was built by serving the small-quantity needs of consumers, Ontarians, in the evenings and on Sundays. The most important day for sales in our industry has been, over the years, Sunday.

As a result, the economics of our industry—rent negotiations, equipment purchases, all of those things—essentially have been based on or predicated on those Sunday economies.

What has happened? The business was quite profitable over the years, and in 1992, the latest year just ended, to the end of May, C-store sales were off by 1.6% from the prior year. This was the function of a tough economy and all the things that we're well aware of. On June 7, the Ontario government permitted wide-open Sunday shopping. We've surveyed all of our 1,400 stores, and over the period of the following four months, sales in our stores were reduced by a further 5.7%.

Because of the leverage in our business, we find that a loss of 5.7% in sales reduces the profit on the bottom line by about three quarters. Your sales go down that much and your profit goes down that much. This is a key factor and this is why we're here today, because this is relatively an intolerable situation right now. This is an industry that is in real, deep trouble.

Results to date in 1992, at the end of October: There were 200 of our 1,600 stores that closed and 1,950 jobs were lost, full-time and part-time. That's just in our group. Remember, we're only a quarter of the whole industry.

In the full year—we're projecting now to next June 7—we feel that in our whole industry there will be lost revenues to the tune of \$367 million. Those will be lost to the C-stores and gained by others. This is the critical factor now. We expect to lose 5,500 jobs over the one year ended next June.

I submit to you that if those 5,500 jobs were in an industrial environment in London or Kitchener-Waterloo or Peterborough or Ottawa, this meeting would be held with TV cameras, media and all sorts of people asking

awfully direct questions. This is not happening because these are small stores; they're scattered all across the province and they represent workers who do not have a collective voice at this level. I'm here and Geoff is here to try to speak to that and to bring to your attention the importance of this group of people and the jobs they represent.

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Over the past few months we've held meetings with the Treasurer's staff and with that of the Minister of Consumer and Commercial Relations. Results: The meetings were cordial and the comments were sympathetic and the results were nil.

What really happens here? We talk big numbers here, but let's get down to the basics. We've got someone operating and owning a convenience store on the corner. He's running along very successfully and then all of a sudden sales are reduced by 5.7%. He notices very quickly, in 30 or 60 days, that his profit is three quarters gone, and he says, "What am I going to do?" Well, the first thing he looks at is, "How do we increase sales?" and he works very hard to do that.

Then he looks at his costs, because costs have to be kept in line, and he says, "Which costs can I affect?" Well, you can't affect the rent, you can't affect your business licences and can't affect your heat, light and power. Those are all fixed, and you come down to it and you say, "The only meaningful number on the expense line is labour." So what does this operator do? He lays off one person and then two persons and then three persons and tries to make the thing come together economically in that fashion.

But what really happens? The store stays open but now we've got one, two or three people who have lost their jobs. That time has been made up by the owner-operator and perhaps his wife and his teenage kids working more hours, working 12 hours instead of eight or whatever it might be. Because they're not serving the customers properly, the customer service is falling off quite dramatically.

This operator has a business there. He's invested \$75,000, \$100,000 or \$125,000 in that business, and up to that point he's been making a reasonable return to justify that investment. Now, all of a sudden, the profit goes like this. The business isn't worth that any more.

We now have now an individual who's in a jam. He's caught in a trap. He can't get out of the business, he can't hire enough people to do it well and he is there, stuck, trying to make the wheels go around and to work hard enough with few enough people to try to keep the thing equitable.

Here I think is part of the difficulty why the people we explain our plight to don't understand. They look and they say, knowingly or unknowingly, "That store is still open," and it's correct, but it's being opened by the direct efforts and the massive hours of the owners of the store to keep it open. It is open today. We tell you very seriously it's very doubtful if it will be open tomorrow. So the picture people see in looking at it and the open stores tells them one story, but it is truly a false picture, it doesn't tell the real story, and we're predicting that by the end of next June, 5,500 jobs will be lost in the convenience store industry in Ontario.

Solutions: What can be done? I've made a list of some things that might be considered. Some of them may look a little way out; some of them may be quite feasible. I raise them here now because we're desperate enough to raise all possibilities in the hope that some of them may work and that some of them may have the possibility of being enacted to save a meaningful industry and a lot of jobs.

First one, sales tax commission: Collectors of retail sales tax keep 5% of what they collect, to a maximum of \$1,500. We collect about \$32 million in the industry. We're proposing you change that from 5% of the tax collected to 10% and take off the cap of \$1,500 a year.

Secondly, impose commercial rent control. Rent control isn't something we like to talk about, but we have a situation right now where landlords of commercial premises have high rents that were negotiated when things were much better a few years back, and there are falling mortgage interest rates, which are generating a real windfall for them. We're suggesting that perhaps we could have a sunset date for current leases. The landlord and C-store would have to renegotiate new terms and new leases based on current economics.

A third area is municipal licences, because our stores not only have to have the municipal retail licence to operate in that town or city, but in turn there's a victualling licence, there's a tobacco licence, and I'm not sure what Queen's Park's ability to control in this area is. It's quite possibly limited by the Municipal Act, but any assistance there would be meaningful. An example, a tobacco licence: Some municipalities have brought it in several years back at \$50 a year. In one particular instance we're looking at \$700 a year right now.

Another possibility that might be considered by the government, who put us into this situation by opening the stores on Sunday, would be a provincial income tax credit. That would be useful. It would be limited because the profit, of course, in the store has been reduced from this to this, but none the less a provincial income tax credit could help.

Another thing we could look at is the Ontario Lottery Corp commissions. The lottery corporation is very definitely an arm of the government and a generator of income for the benefit of all Ontarians. We help sell them. We are citizens of Ontario and we think perhaps we might be able to use some of that. We're suggesting they could consider an increase in the commission remuneration to the stores from 5% to an average of 8%.

The right to sell beer and wine: The previous delegation—that was brought up to some extent. It has been raised by other groups within our industry. We're just saying this should be considered, and there are in other jurisdictions effective licensing controls, stiff penalties, selling prices set at current prices for Brewers Retail or even higher.

This situation works well in Quebec and US jurisdictions and I would submit that it would generate jobs. If, for example, the sale of beer and wine through convenience stores was permitted, Brewers Retail could act not only as retailers but also as distributors to the stores. They would be staffing up in trucks, truck drivers and warehousemen. We think this would be additional employment in the province.

That alone could increase provincial income tax that would be paid by the improved profit in our stores by several millions of dollars. Again, it should be examined as one more area where assistance to a beleaguered industry is very desperately needed.

In conclusion, I hope the brevity of the presentation—and I hope it has been considered brief—does not understate the very serious situation we're confronted with. Our economy is in trouble and we look to you as a body to consider this and to review it with the Treasurer with compassion and hopefully a sense of urgency—a high degree of urgency.

Regarding the remedies we've proposed, some of them you might be inclined to reject out of hand as being unreasonable. I suggest that difficult times require difficult measures and, with great respect, it's always easy to explain why something cannot be done. We're looking for someone to find a way that a change can be made and something is made to happen because, to repeat, we're looking at 5,500 jobs lost by the end of June in 12 months in our industry. If this were the steel industry, if this were a major industrial complex, it would be shouting it from the rooftops. I'm at this point looking for assistance from your group in helping the government to give us some assistance.

Fifty thousand Ontario citizens are employed by the C-store industry. They need your help and they need it now. They need action within the framework of the next provincial budget. I thank you for your attention. If you have any questions, I'd be very pleased to try to answer them.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I was wondering if you could tell me if you know what the ratio is of your losses based on just the poor economy versus the Sunday shopping issue. It would depend on the area of the province you come from, I know, but certainly the poor economy must have impacted to some extent. You've indicated that since June 1992, the four months following that date, you noticed some changes, but that was also a particularly bad time in the economy.

Mr Egerdie: Yes. Last year from the first of the year through June, relating that time period to the same period in 1991, our sales were down 1.7%, in spite of all the efforts we could do to introduce new products and all that sort of thing. So from our point of view, the recession—if you will, the tough situation in the marketplace is covered off by that 1.7%.

The 5.7% additional tacked on the top, that became effective almost immediately on June 7, we attribute totally to the effect of wide-open Sunday shopping.

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Mr Johnson: Could you give me an explanation of how you come to that conclusion?

Mr Egerdie: We recognized early on that this was having a major effect with us. In some stores sales were off as much as 15%, really a major difference. So we got all of our members to poll all of their stores and report the sales results, in confidence, this year, last year, to a consultant who compiled

the results and told us the sad story that this is where the money has gone.

We're looking at a store this year, in the 12 months ended June 7, 1993, versus the same year a year ago, being down about \$39,000 worth of sales, and with the tremendous leverage in our business, a good part of that would have fallen directly to the bottom line.

Mr Johnson: Part of my constituency, because of its tourist designation, has had wide-open Sunday shopping for a long time and the other part hasn't. I find it curious, to say the least, that those convenience stores on both sides complain that Sunday shopping had affected them when indeed at least a portion of the group had already been under that rule, if you will, and some of them actually didn't know that they were under that rule. I just mention that as something curious.

Is there a story about the proximity to the borders that convenience store operators care to share? Those stores that are closer to the borders of the United States, with regard to cross-border shopping, has it impacted any differently on them than it has for convenience stores that would be farther away from the borders?

Mr Egerdie: Certainly, there would be a difference there. We haven't split them out in any way as far as reporting the results, but earlier on, much earlier on, of course, your cities such as Niagara Falls and Sarnia and Windsor and Kingston were reporting major difficulties at the immediate border crossings: stories out of the Kingston area where a convenience store with a gas bar was selling two gallons of gas to an Ontario-licensed car to cross the bridge to do their shopping. I know there are horror stories in all of the retail industry like that.

The Chair: I've got to go on to Mr Brown here. I imagine on Manitoulin Island you have a store that sells liquor, beer, and you call that a convenience store, or a trading post? Okay, it's yours, Mr Brown.

Mr Brown: Thank you, Mr Chair, I think.

It strikes me as a little bit surprising that you come before us with this brief when your major problem is Sunday shopping, which is a bill that has not been presented to the Legislature since first reading. We haven't seen it; it hasn't been passed. We're told it's retroactive and yet it's subject to a free vote so it's very difficult to know how a Premier could know that under a free vote the legislation could pass. Anyway, I guess that's just kind of an aside that a poor oppositionist is trying to figure out.

We're told that the Sunday shopping initiative is such a job creator. Has the government in any seriousness looked at your proposals? You said you met with some cordiality in your sessions, but are you getting any signals at all that the government is willing to look at the plight of the workers who are in your particular—

Mr Egerdie: No. As I say, cordiality; certainly lack of anything concrete as far as suggestions or alternatives were concerned. Our follow-up contacts have gone unanswered and we are looking at a situation where we have to assume that the people concerned either do not understand the seriousness of it, ie, 5,500 jobs, or that this in their view does not constitute a serious problem.

Mr Brown: A large number of your employees would be young people working part-time, coming after school, earning money for their college or university education. Would they be among the first to go in this kind of situation?

Mr Egerdie: Yes. You raise a good point there because this is the retail industry, where jobs are very difficult to find, as you well know, and here are people, full time and part-time, who will lose their jobs through cutbacks. The part-timers very frequently are students who are earning money to put themselves through school, that sort of thing, or it can be a spouse working part-time to help make the financial wheels go around at home, so it cuts across all segments. A problem here is that people losing these jobs will find it extremely difficult to find a job elsewhere, because the whole retail economy, if you will, is in tough straits right now.

Mr Brown: I raised the issue because I think one of the increasing concerns of Ontarians is the lack of opportunities for young people in our society to get a job anywhere. Often the first job is the experience they build on, because when they go to the next employer after you, the first thing he asks them is, "Do you have any experience?"

The Chair: Mr Kwinter, one quick one.

Mr Kwinter: I just wanted a clarification. In your presentation, where you are calling for beer and wine in the corner store, you are assuming that it would only be in the corner store and not in supermarkets. Is that correct?

Mr Egerdie: We have viewed it from the position of our own industry, if you will. I could not address that except to say that beer and wine in the convenience stores could be handled very efficaciously, very efficiently, very economically and be a great boon to the consumer.

The Chair: I've got to go on.

Mr Carr: Thank you very much, and thank you for your presentation. I had a situation in my own constituency office. I back on to a convenience store, and my office was broken into. They cut a big hole in the wall. I couldn't figure out why anybody would want to break into an MPP's office when we're there every day to come in. We've got all the government brochures that anybody would want. The reason was that they had cut through the wall to steal the cigarettes in the convenience store.

I got a call at 7:30 in the morning from the police officer and was rather surprised that this was taking place. Being a non-smoker, I guess I didn't realize the extent of it. They said, "Oh, no, a tremendous amount of this goes on, and we know of some of the tragedies that have come along." They said one of the big reasons now, of course, is that we increase taxes on the so-called sins, cigarettes, and that we've driven an underground market.

Do you have any idea what the losses would be in terms of sales of cigarettes and taxation as a result of it now being driven underground, either through smuggling from the US or as a result of buying the illegal activity? Do you have any idea?

Dr Geoffrey Pottow: I think Imperial Tobacco came out with a study on that, and I think it gave a figure that about 10% of the market is underground economy, which

is basically smuggling. I also would like to point out your point that in the brief we mention about getting additional compensation for selling lottery tickets. A lottery ticket is another cash thing that thieves go after. In the compensation we get for carrying lottery tickets, we have to look after the losses we have in those. So there's a cost of doing business, of looking after that cash for the lottery commission. The amount of commission we get for it is relatively minimal.

Mr Carr: I believe a lot of your sales are the point-of-sale marketing, where somebody comes in for a pack of cigarettes and then picks up some chips and says, "Oh, now I need some milk," and then goes down the shelf. So if they're not coming in for the cigarettes because a lot of people are buying them on the illegal market and telling their friends, you really do not know the impact that would have. If it is as high as 10%, then we would be talking about a tremendous amount of lost revenue for your people in terms of total revenue. What do you suggest we do about that? Is there anything? If we just froze the tax on tobacco, would that work? How far would we need to go down before people would start getting back into buying them in legal situations? Do you have any idea at all?

Dr Pottow: I don't know.

Mr Carr: It's a difficult question, I know.

Dr Pottow: I think part of the problem is going to be corrected a bit by Clinton's attitude, where he is going to increase his taxes on the sale of cigarettes, because the main thing that we find with cross-border problems is the differential. But the problem you're referring to is the illicit trade and the fact that you've taken a commodity that was worth about \$1.50 and is now worth \$6 and turned it into a very marketable thing on the black market.

Mr Carr: I was totally amazed when they said that what they would have gotten just by reaching through my hole in the wall and pulling it off the shelves would have been about \$10,000 and they would sell it for \$5,000. That was just a small amount. I guess I hadn't realized how much cigarettes had gone up, although I know, having played hockey with some people in the Legislature a couple of Sundays ago, that there are a tremendous number of them who are quitting, and I suspect a lot of it's driven by the finances.

I want to go on to another—

The Chair: I'm sorry, Mr Carr. Four o'clock is here. Doesn't time go quickly when you're having fun. I'd like to thank you for coming before this committee today.

Mr Egerdie: Thank you.

The Chair: I want to take a two-minute recess just to stretch. Mr Brown hasn't been out of his chair for three hours, and I don't know whether he can walk.

The committee recessed at 1603 and resumed at 1605.

COUNCIL OF ONTARIO CONSTRUCTION ASSOCIATIONS

The Chair: We'll resume the pre-budget consultations. The next group we have before us is the Council of Ontario Construction Associations. I'd like to welcome you to the committee, and for the purposes of Hansard,

would you mind identifying who you are and your position, please. You may begin.

Mr David W. Surplis: We are, as you said, from the Council of Ontario Construction Associations. My name is David Surplis; I'm president of that association. With me today is Bill Empey, who is a consultant at ARA Consultants but he's also a member of our tax and economic development committee as well.

The Chair: Mr Frame was not able to make it?

Mr Surplis: He wasn't able to make it. As a matter of fact, he's a new father, so we're all very happy for that.

We're a bit of a tag team here in a sense. I'm going to make a plea on behalf of our industry, more an impassioned than a reasoned plea, and Bill's here to provide the statistics, the facts, the reason. Just so you know, at the back of our presentation is a list of our members. We represent the ICI, the industrial, commercial, institutional engineering side of construction—in other words, everything except housing, home builders; they have their own organization. We're responding to a request of the committee and a request of the Treasurer to give you some of our views.

We have been giving you our views for a number of years now and they seem to have fallen on deaf ears. I stress "seem to" because, of course, we try to be helpful throughout the piece. But the unemployment in construction is absolutely staggering. It's well over 30%—you'll see in the graphics we provide, 30% and higher. In some of the sectors of construction it's over 50%. I just came from the office of a contractor who is down to four employees from over 80 in just the last 18 months, and that was just this afternoon.

I know you can see the effects of this recession on our industry because, as I challenged other committees here before, it's almost to the point where I will give you \$1 or \$10, whatever, for every construction crane you can cite to me that is in your riding. There just aren't any. There is no activity going on.

Another telling story I relate to people, MPPs, anybody caring to ask: They say "Wow, I got down to the Legislature in 20 minutes from the airport." I say, "Well, yes, you can thank the construction industry for that." They say: "Why? You mean they built the roads or something?" I say: "No. We're in such a sorry state that your trip in here was not impeded by concrete trucks, by plumbing and heating trucks, by electrical contractors and so on."

The unemployment is so drastic that there aren't any vehicles on the road, or so few that you can count them all on one hand.

We've said this over and over and we're frustrated by the growing gap between the stated priority for capital projects and the actual results.

We're here to plead for assurance that an adequate level of capital spending is undertaken in 1993 and 1994. We want the province to increase spending to the original target of \$4.3 billion, and that was the borrowing target. We want it also to be the spending target consistent with the government's own plans. We're in a crisis mode, as I said before, and we're asking you to consider projects to

urge upon the government—to urge upon the Treasurer, the Premier, anybody—those projects, those spending priorities, that will truly help save our industry.

As you'll see in a minute, the loss of our skilled workers, our skilled managers and owners, is nothing short of staggering.

We're very heartened actually by the report of the investment in infrastructure. We're glad people are beginning to look on that now as an investment because construction, which was Ontario's second-largest industry—I'm really not sure where it would stand right now—really needs a shot in the arm.

We already told you about the statistics in unemployment. The only thing positive in 1992 was hope. We had some hope, but the province's capital spending fell below the budgeted level yet again. To make matters worse, overall construction activity continued to decline and building activity, just to underscore what I said before, is down 34% from 1991, 21,000 workers left the industry, sliding into unemployment and welfare, and 696 firms went bankrupt.

The notion that the recession is over, I'd like to address that just for a second and you can read our comments about the vacancy rates and so on, but the notion that the recession is over is particularly hurtful to us. If you look at those vacancy rates in Metro Toronto and in Ottawa and virtually every other builtup area of Ontario, you will see such an oversupply of available space, especially commercial office space but also industrial and warehousing, all the rest of it. There's so much available that if the recovery started full-blast this afternoon, we in ICI construction wouldn't see very much of anything for three to four years; in other words, until that oversupply is used up. Not all of it, of course, because of different factors and so on, different tastes, but I do want to stress that even if the recovery was starting full-blast this afternoon we wouldn't see much, if anything, for years.

At the current rate of decline in the construction industry we are losing 2,500 workers every six weeks. If you contrast that or compare that to the government's position of trying to pare the civil service by 2,500 positions in two years, 2,500 every six weeks is a bit more of a commitment than 2,500 every two years. That just gives you an idea.

Another point we want to bring to your attention: We've often heard, in fact we heard just the other day, the Treasurer saying that he had to balance between capital spending and cuts to health care. He's not really talking about cuts to health care; he's talking about keeping health care static. We're talking about actual declines in construction and employment and we think there's a big difference between stasis and decline.

We're proposing a further round of fiscal restraint that would reduce operating spending by between \$1 billion and \$2 billion in the next two fiscal years. These cuts would reduce the operating deficit and the Minister of Finance could expand the plan borrowing on capital investment by the equivalent amount. As the government itself has noted, there's an important difference between borrowing for capital projects that create valuable new assets and borrowing for current spending.

I realize that some people had some differences with our notion about off-the-books investment and so on, thinking that it's flim-flam or smoke and mirrors or something like that. We, of course, argue that it isn't necessarily. If it's done properly and invested in the right areas, the multiplier effect in the construction industry is second only to agriculture, and we know that there would be an excellent return as well as saving a very valuable industry.

Fiscal planning should reflect the continuing recession in construction. Maximizing capital spending is our priority. Further cuts in operating expenditures are needed. Where tax measures are required—and we'll talk a little bit about that in a minute—we ask that the government carefully consider the impact on the construction businesses that will be the instruments of the province's public investment priorities.

I just want to mention briefly some recent statistics from the University of Toronto, the policy and economic analysis program. You know or you can see by our proposal here that the Conference Board has already registered a 25% decline in construction activity in Canada; a further erosion in 1992—overall, we expect it'll have reduced by 7.4%—and the board forecasts another 1.2%. But the most recent projection from the University of Toronto anticipates that construction volumes will drop another 8.6% in 1993 and begin a very slow recovery in 1994. So non-housing construction, as I said so many times before, is really up against it.

We believe that more investment in construction isn't just an election tactic, it is not just strategic at a certain point in time, but it is necessary overall to preserve the industry as we know it.

We applaud the announcement about the three crown corporations, but I think that's about where we'll stop, because there has been so little fleshed out on that. We don't know—I'm sure the members don't know any more than we do—where they're actually going to go, when they're actually going to be in place, who's going to be guiding them, when they're actually going to be expending the capital that presumably they're going to be responsible for and so on.

COCA believes that more private sector involvement is required in the three capital corporations. One of the things we would like, and certainly have made representation to the Premier and others on, is private sector representation on the boards of directors of these three corporations. We think doing that in tandem with tax and other measures that support private investment would greatly enhance private confidence in Ontario and help stimulate investment.

To reiterate, we really have noticed that the government's announced spending targets have consistently been missed on the short side: The original \$4.3-billion target announced in 1991 was never achieved; the lower \$3.9-billion target in 1992—93 is now reduced to \$3.7 billion; and the 1992 budget projected that the province's direct capital funding would fall to \$3.1 billion, with at least \$800 million left to the crown corporations, about which, as I said, we have some concerns.

Given the delays in setting up the crown corporations and given the patterns of declining investment, I think you

can see why we are worried. We've tried to be helpful. We've had many, many meetings with ministers and staff. One of the unfortunate things is that so many of our letters haven't been acknowledged and we don't understand exactly what is being told us. We're asking you, the committee, to help us understand the government's proposals and to urge it to do the kinds of things that would help the sewer and watermain corporation, for instance, and all the others.

Just a brief word on taxation and then I'd certainly like to get to questions and let Bill explain the charts and so on.

You've heard us before. The Council of Ontario Construction Associations has been consistently here at Queen's Park to urge the government not to implement ideologically based programs which scare away investors. We've said it so many times. We're not here to do political battle with the government. Whether you're for unions or against unions, investors tell us Bill 40 is dissuading them from coming to Ontario. As I say, no matter what you think about that, it's an irrefutable fact that investors are telling us they don't like Bill 40. Sure, there are other reasons for not coming to Ontario, and the government is correct in pointing to free trade. It has been dislocative in the initial stages, but obviously we would argue that there are going to be more jobs created than are dislocated in the beginning.

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At any rate, we plead with the government not to go ahead with ideologically based taxes, because frankly we think they're insane. For instance, we know or I certainly know of socialists who are bitterly opposed to inheritances of any kind. They see them as undemocratic, unfair and so on and they would like to tax them out of existence. No matter what socialists believe about that, and they're free of course to believe anything they want about that, there are so many capitalists on the other side who say, "If you're going to tax all of my efforts out of existence for the sake of some ideological program, I'm not going to invest in Ontario."

Again, we're not here to argue philosophy; we're here to tell you that investors tell us they're not going to invest in a situation, in a jurisdiction like that. When that happens, we don't get any work, because we need investors to create the jobs, to create the projects that sponsor the jobs. So that's where we are.

Our recommendations, in a nutshell, are:

— That the government initiate a further round of cuts to current operating expenses totalling between \$1 billion and \$2 billion. These savings should be introduced into the capital spending cycle.

— That the government give the highest priority to interim pilot projects that will begin building in the critical 1993-94 period. We have offered, and offer again, to assist the government in identifying, planning and starting these projects. The emphasis is on getting buildings started immediately.

— That the government invite members of the construction industry to participate in a permanent advisory committee to provide private sector input into the capital spending priorities and to participate on the boards of directors of the three crown corporations.

— That the government design any new corporate and payroll taxes with exemptions, rates and provisions that will protect the large number of financially vulnerable construction businesses that are absolutely necessary to supply the province's new infrastructure.

With that, I'll let it go. We certainly would like to get into questions and answers and, as I said, Mr Empey would be more than happy to talk about the graphics and the research that we've provided you.

Mr Kwinter: Thank you very much for your presentation. In your presentation you said that your sector of the construction industry usually lags behind the economic recovery, but it's also a precursor of economic recovery because these things don't happen in one day. What is your feeling about projects that are sort of on the books, or are they non-existent?

Mr Surplis: There are a number of projects on the books. As a matter of fact, just right here in Toronto there is Operation Jobstart, which is a Metro thing, and one of our member associations, the Toronto Construction Association, is involved. They've identified all kinds of projects just around Metro that could get going right away. In fact the government has acknowledged and put some money into the subway extensions and other things, and yes, that's appreciated, but there are more.

Mr Kwinter: You also said that if the boom was to start today, it would take you three or four years before you saw any results of it, and you're losing about 2,500 workers every six weeks, which is 23,500 a year. Do you anticipate that you will continue to lose those over the next two or three years?

Mr Surplis: I'm afraid so. That's why we're pleading for government to step in—countercyclical policies—to assist in that. Bill will give you a little more in a second on that. One of the worst things that's projected is that non-housing construction won't see the 1989 levels until 2005.

Mr Bill Empey: That was the University of Toronto projection that was provided, actually, to the ministry here. It showed that construction activity in Ontario, even with the fairly strong economic recovery, won't return to its previous level, the 1989 level, until the year 2005. That's the extent of the erosion of the construction industry that we're dealing with—non-housing.

Mr Sterling: Thanks very much for coming to our committee. I have a great deal of concern about the construction industry. I know a lot of people who are involved in the construction industry and I can tell you that they're having a tough go. There just isn't anything to work on or anything to look forward to. One of my close friends is considering closing his business because there just isn't any work. He's been in business very successfully for 25 or 30 years.

I was skiing in Ellicottville on the weekend, as you can maybe see from the slight change in my complexion, and was talking to a developer there.

Mr Perruzza: You should be ashamed, taking money out of Ontario.

Mr Sterling: They've got the best skiing.

Mr Carr: Anthony goes across to buy his beer there. He spends more on beer than he does on skiing.

Mr Sterling: Anyway, I was talking to a small developer there, and he was talking about housing construction costs. He was getting something built in the United States in that area, I would presume—well, I know—to the same specifications as we would build here. You know, you'd need the same footings and that kind of thing basically, maybe a foot or two less, but not a significant difference. But they were building for about \$51 a square foot—\$51, \$52—and a pretty good building, a pretty nice building, good windows and good everything else in it. When you come up here, we're talking \$80 to \$100 a square foot, and even when you've taken into account the exchange or the difference in the dollar, you're still talking a significant difference in the product there.

Are we competitive buildingwise or in the building industry? I mean, building costs are part of the overall cost of doing business here, and if we're paying our trades too much or we're inefficient in how we carry this thing off, we're not going to be able to have the manufacturers or the other parts of the economy fit in. Are we competitive?

Mr Surplis: That's a very difficult question, because not only the comparisons to the United States versus here—people are here for very different reasons, maybe costs or whatever it is—are difficult to compare. What we're interested in, whether the wages are higher or lower or whatever, is, are we attracting investors? Are people coming here to build? We're saying no, they're not, whatever the combination of reasons.

Just to give you an example along those lines, Norm, there was a fellow the other day—I was very intrigued to hear him; he was a lawyer here in Toronto—talking about how he had a client up from the United States who wanted to invest in Ontario and he decided against it. We said: "Oh, Bill 40. Is that the reason?" We wanted to hear that it's Bill 40, and he said no. That was partly it. But you know why he eventually decided not to come to Ontario? He looked at the deficit of the Workers' Compensation Board and said: I'll have to buy ownership of a large part of that and I don't want to do that. I didn't incur that."

It's hard to separate out what it is that makes something competitive or not competitive. We know of costs well over \$6,000, \$7,000 per employee in Ontario before they lift a tool.

The Chair: Mr Wiseman.

Mr Wiseman: Yes. I'd like to talk just a little bit about—

The Chair: I wouldn't talk too long. You haven't got that much time.

Mr Wiseman: You let them ramble.

Alberta is suffering a major problem in the fact that a lot of its megaprojects are now completed and it has a lot of tradespeople out of work: steamfitters, pipefitters, tinbashers, concrete layers, structural steel moulders and so on. What I'm afraid of is that if all this money is injected into the economy in terms of all these projects and they all start now and they all terminate around the same time, we may be a little bit countercyclical in terms of

what we're doing, but in the long run we will have developed another cycle, and that is the skilled tradespeople who will start to be laid off as these projects wind down and the money may or may not be there. Could you perhaps tell me how we can avoid that kind of a trap?

Mr Empey: The whole idea here is that there's going to be a long lag before private sector construction activity comes back. I mean, we're looking at three, four years. It's that immediate period, 1993 and 1994, where we're looking for the government's capital spending. The workers can move among regions in the province and across different kinds of jobs.

We want to get them working now on the infrastructure investment that the government has already indicated is a priority. We want them to meet their commitments in terms of spending money, get people to work now on the infrastructure that will create a climate that will bring in the private sector construction activity three or four years from now. What we're proposing will smooth the cycle out and keep these people employed over three, four, five years, well into the next cycle.

The Chair: Okay. Gentlemen, I'd like to thank you for appearing before the committee today.

1630

PRIVATE LIVESTOCK AUCTION MARKET OPERATORS OF ONTARIO

The Chair: The next group is the Private Livestock Auction Market Operators of Ontario. Would you come forward, please?

I'd like to welcome you before the standing committee on finance and economics. We have until 5 o'clock. In your presentation, could you leave some time at the end for questions from the committee members? Mr Carr will start off for the third party when you're finished.

Mr Lindsay Barfoot: Thank you very much. My name is Lindsay Barfoot. I'm with Price Waterhouse, the agriculture and food consulting group, and I'm here representing the Ontario Livestock Auction Markets Association. Marie Forgrave is with me. She is currently the president of OLAMA, the livestock auction markets association, and also a principal in the Campbellford sales barn, which is one of the sponsoring auction markets for this brief.

The theme of this brief, obviously dealing with the public Ontario Stock Yards, is basically that the public stockyards are an opportunity, not a problem. I've followed this for several years, 10 at least, and the stockyards have been seen as a problem: What to do with them. The clients I'm representing here today are presenting this brief on the basis that there's an opportunity to make a right decision now.

One of the common denominators for the 12 private auction markets I'm representing is that they all believe in an efficient, competitive auction market system on a non-government-subsidized basis. I know that position has been made very clear in several presentations to the Ministry of Agriculture and Food, and I believe their position is well known, that they believe that and have been campaigning on that basis for some time. Notwithstanding

their belief that the way to provide this service to the live-stock industry is on a non-subsidized basis, this proposal does provide for and propose some transitional subsidization to the two principal commission firms that operate at the stockyards.

The brief recognizes that there are several stakeholders in the Ontario Stock Yards question. I'm citing four of them: The government obviously is a stakeholder, live-stock producers in the industry are stakeholders, the two commission firms that still operate at the stockyards are stakeholders, as are the private country auction markets that I'm representing; four groups of stakeholders involved in this decision. They believe that this proposal I'm going to outline to you maximizes the collective opportunity for them all. The 12 I'm representing are listed on the covering page.

You have two documents, one of which is text, and at the back are some supporting exhibits. I'm going to refer to both simultaneously. We'll basically be going through the text, and I'll point out where I want to refer to certain exhibits.

The objective of submitting this proposal is basically that the principals I'm representing want to ensure that there are wise decisions made regarding the future of the Ontario Stock Yards for two reasons: (1) to ensure efficient and effective marketing services for Ontario producers, which is obviously the mandate of my clients, and (2) that there are wise decisions in order to maximize the financial benefits of the Ontario Stock Yards for Ontario livestock producers.

On page 3 of your document, we list several what we call realities and parameters. These realities and parameters form the basis for this proposal. We believe that all six of these are very well documented and accepted. They're offered here in no particular order of priority.

(a) Certainly the government's financial position is well known. The government has been very clear about how serious the government's financial position is, how serious it regards that position and how serious it is in its desire for soliciting creative and sound solutions that can address the government's financial position.

(b) Asset ownership and best use: I'm talking here about the asset as represented by the 35 acres of urban real estate that the Ontario Stock Yards operate on. It would, conservatively, probably have a value of something in the order of \$30 million to \$40 million. We submit that it's not being well used, not being put to best use on behalf of the livestock producers of Ontario. It's well accepted that the livestock producers of Ontario essentially own the asset. We're all about putting it to the best use on behalf of those producers.

(c) The current situation is not viable. This is another reality. The Ontario Stock Yards have outlived their usefulness. It's expensive to operate, it requires subsidization on an ongoing basis, the industry is changing, and the assets will only further deplete if this situation is allowed to continue.

(d) Continued subsidization is in fact counterproductive. We believe that the industry is best served by a viable network of strategically located country auction markets. It's well known that there's significant overcapacity and underutilization in this industry. The continued subsidization of the stockyards in Toronto, at what we submit is the

wrong location, in fact potentially weakens that network of country auction markets. Some may fail.

(e) We recognize that there is a commitment to the commission firms. Two commission firms currently operate at the stockyards. They have a base of clients, they're providing a useful service, presumably, to their clients, and they've developed and thrived and grown on the basis of being dependent on the Ontario Stock Yards. Therefore, some transitional funding is recommended to support those two commission firms.

Finally, the last reality is that the long-term industry needs are that while the industry in Ontario is changing and downsizing, it does require a large and significant network of country auction markets. The clients we represent are ready, willing and capable to take on the challenge.

Just to illustrate, I'm going to turn to exhibit A in that supporting exhibits package. Exhibit A shows the last 10 years of operating surplus or loss at the Ontario Stock Yards. This is straight from the operating account. As you can see, it shows that in the last nine years there's only been one year where it's operated above the line, on a profitable basis. That was 1989, where the operating surplus was a mere \$26,000. The livestock industry has been significantly downsizing at auction markets since 1989. You can see the trend: increasing losses from 1989 to 1992.

In addition, exhibit B reflects the fact that the financial position is even worse than the first exhibit would reflect, in that the provincial government pays a grant in lieu of taxes on behalf of the stockyards. It's identified on here as "property taxes paid"; in fact, it would be more appropriately called a grant in lieu of taxes. Nevertheless, it is a subsidy. On top of the operating losses out of the stockyards there's about a \$300,000 grant in lieu of property taxes paid to the city. As you can see, by 1992 that operating deficit was approaching \$800,000 in the year. There are also some extraordinary items noted on here—for example, a provincial grant of over \$500,000 in 1998, a land sale for \$250,000 in 1989 and some insurance proceeds in 1990—which have helped finance this increasing loss position.

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Our proposal is on page 5 of our brief. What is the proposal? Specifically, it consists of five steps which we would encourage the government to adopt.

Step 1 would be to immediately announce closure of the Ontario Stock Yards. We foresee that June 1994 is an achievable and feasible date; however, it could turn out to be sooner, depending on some of the other developments here.

Concurrent with that announcement, step 2 would be to offer the 35-acre real estate parcel at Keele and St Clair for sale and invite offers for sale or lease of that real estate parcel.

Step 3 would be to invite private sector proposals for new and expanded facilities at more optimal locations. Presumably the private sector here would be invited to propose newer, expanded facilities, especially to provide equivalent service to producers in eastern Ontario if it's deemed that there are not sufficient facilities with the closure of the stockyards. We see that any private sector practitioner would be invited to submit a proposal here, includ-

ing the two commission firms that now operate at the stockyards.

Step 4: We would suggest that the Ontario government provide capital assistance to fund attractive proposals for facilities that would be deemed to be required if the stockyards were closed. We see a realistic, feasible cap of \$1 million being reasonable, and we would recognize that priority preference should be given to the two commission firms, which may want to relocate to either new or expanded facilities outside the city, and that that priority preference could be as much as 100% financing for those two commission firms, up to the \$1-million cap.

Step 5: The liquidation of the stockyards should generate an annual income stream of \$3 million to \$4 million, and we would propose that that income stream be used to fund a livestock industry development fund on behalf of the producers in Ontario.

Schematically, it looks like the next page in the exhibit. Concurrent with the closure of the stockyards off to the right there, you would invite proposals for new and expanded facilities, funded up to \$1 million. The sale or lease of the real estate would generate an income stream of \$3 million to \$4 million, of which the first \$1 million would go to repay the transitional relocation funding, and the additional ongoing stream would be used to fund the proposed industry development fund.

I want to outline—and we do on page 7 of the brief—what we see as the attributes of this proposal. There are several reasons why we believe it should be adopted. Firstly, it generates a positive net cash flow of about \$4 million a year. It eliminates the need for ongoing subsidization at the stockyards, as you've seen from exhibits A and B. It encourages the development of private sector community auction markets which we believe are key to the long-term needs of this industry. We are mindful of the fact that by doing that we are also stimulating the rural tax base in the municipalities where those auction markets exist, and we believe that's important to this government as well.

It provides an attractive and permanent solution to the ongoing question of, what are we going to do with the Ontario Stock Yards? We believe that now is the time to make a decision to do something positive, and that this is that attractive and permanent solution.

It maximizes the potential value of the real estate in that it looks at how to maximize the value as an ongoing parcel of 35 acres, as opposed to, over time, selling off various parts of it.

It meets the needs of the Ontario livestock industry for market services through the network of private auction markets on a viable, competitive basis. It provides fair treatment to the two commission firms that still operate there. It provides funding for industry development. This proposal generally will be widely supported by livestock producers and it is, of course, widely supported and positively supported by private auction markets.

Finally, we point out that it's consistent with the government's initiatives to privatize operations where the opportunity exists. Organizations like the Ontario Plowman's Association, the Ontario Soil and Crop Improvement Association and Ontario Agri-Food Education

Inc are all examples where this government has moved to privatize government activities, and the stockyards are an even better example of one where that would be appropriate.

Moving into the question period, I've anticipated the first seven questions you might ask, so I'm going to go through these quickly.

Question 1 might be, what capital costs are required to establish new facilities? Is \$1 million in fact enough if you were to close the operations at Keele and St Clair?

The best and most recent example: Historically there were five commission firms operating at the stockyards. Some time ago, two discontinued. In the last two to three years, the Gamble and Rogers commission firms discontinued and bought Brussels stockyards and established an operation at Brussels. The full cost for them to buy and renovate the facility there was \$550,000. That operation is growing, currently handling 125,000 head annually, and that volume is growing there.

Certainly it's possible to spend more than \$1 million, but we would point out that the investment decision must be prudent and in tune with what's required. In short, \$1 million is fair and adequate if reasonably invested, and certainly it doesn't preclude it if the two commission firms wanted to spend more; it could be quite feasible to add some of their equity to do that.

The second question: Why are the Ontario Public Stockyards now obsolete? Perhaps I can go to 6.2 please, Marie. Thank you. There are two key reasons why the stockyards are obsolete: one is the geographic location; two is the organization structure.

The geographic location in 1903, when the stockyards were established, was excellent, and up until the late 1970s and maybe the very early 1980s, they operated very well. Things have changed. The location is now inappropriate. Downtown Toronto is an inefficient place to bring cattle in. In fact, 75% of the cattle that come into the stockyards are moved back out to final destinations, and virtually 100% of the sheep that trade there. We're also mindful of the negative environmental impact of bringing truckloads of cattle in and out of the city every day.

The inefficient organization structure refers to the fact that as presently structured, there are two layers of management, one to operate the buildings and facilities, which in fact lose money. The two commission firms market cattle there, and in effect what's happening is that they're getting rented below cost. Other businesses have restructured over the years to meet the needs. There are precedents in Winnipeg, Edmonton, Calgary and Chicago for these types of stockyards closing and restructuring.

There is an example of the declining volume trends in exhibit F in your package. This shows the volume of slaughter cattle at the Ontario Public Stockyards from 1989 through to 1992. It's going down in the first, in the top graph there, on slaughter cattle. The middle one's feeder cattle, declining as well. The bottom one is sheep and lambs; it's declining slightly but basically holding its own. If you push that up a little bit, I think I've written a note on the bottom of that, Marie. A telling factor is that in 1980 the Ontario Public Stockyards handled 716,000 head of cattle; in 1992 they handled 245,000 head and that trend is continuing.

The third question: Can private community auction markets do the job? There's excess capacity in these country auction markets right now. Many of them operate a day a week; a few operate two days a week. Right at this moment, the way they're presently operating, their excess capacity is 400% of what the stockyards' annual volume is. If they operated at their optimum efficiency, which would be three days a week, they could handle 1,000% of what the Ontario Public Stockyards' volume is. That volume can be readily absorbed by the existing country auction markets. In fact, in recent years there's been a significant trend to increasing market share traded at the country auction markets, and believe me, this network of country auction markets is committed and capable of meeting the industry's needs.

The next exhibit, G in your package, reflects the changing nature of the Ontario cattle industry. In 1981, the top pie graph, almost one million head of cattle were slaughtered in the province, and about 37% of them, represented by the black piece of that pie, were traded over the Ontario Public Stockyards, with country auction markets representing about 31%. By 1991 the amount of cattle slaughtered in the province was almost half of what it was in 1981. The Ontario Public Stockyards are now only trading 18% of those. The country auction market network has grown to 52%.

In addition, I've included exhibit H to illustrate the capacity utilization at these country auction markets. The dark, tall bar graph in the case of each of cattle, sheep and pigs represents the annual capacity of the current network of country auction markets if they operated three days a week, which would be the optimum. In fact, in the light bar graph right beside each of those, you can see where they're currently operating: at about 25% of capacity for cattle, at about 8% of capacity for sheep and 27% of capacity for pigs.

The fact is that if all of the red part that I've put on here represents what the Ontario Public Stockyards current volume currently represents, if it was all absorbed by the current network of community auction markets, we'd go to about 32% of our capacity in cattle and about 13% of our capacity in sheep. It's very capable of being done.

Question 6.4: What if you don't adopt this proposal, if the Ontario Public Stockyards restructures at the present location? There are reasons not to do that. One, the financial assets will not be optimally employed. There's a better use, as I've indicated previously. The assets will continue to be depleted. Ongoing losses will continue. The trend is entrenched. There's lots of precedents for closing these kinds of operations.

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Continued government subsidization will be required. The location is not sustainable. All we will be doing if we restructure at that location is to defer a decision which cannot ultimately be avoided. That location is not the appropriate location to buy and sell cattle.

Some community auction markets may not survive and will be lost, and that would be unfortunate. It would not address the fact that the unfair subsidization question will not be addressed. The beneficiaries of that stockyard are not the livestock producers of Ontario and not the Ontario

government; it's the two commission firms that operate there as private practitioners competing with the clients I'm representing, and they're renting their facilities at much less than what it's costing to provide them.

Do some livestock buyers need the Toronto location? Buyers are not dependent on Toronto. The current buyers in downtown Toronto that buy cattle source less than 20% of their requirements at the stockyards. More than 80% they bring in from other sources. Most of the livestock that come into the stockyards, as I said earlier, are moved back out: 75% for cattle, 100% for sheep. Buyers are much more versatile and mobile than producers. Buyers will go where the cattle are being offered for sale. Several buyers that have already moved out of Toronto over the recent years are closed. Most buyers already source, as I said, the majority of their requirements from other markets. Finally, it's important to realize that it's much more rational and efficient if producers haul their livestock shorter distances and buyers haul them longer distances, once the final destination has been determined.

I'm winding down. Does the sheep industry need the Ontario Public Stockyards? The volume of Ontario sheep can easily be absorbed by community auction markets, as I've indicated before. They'd still only be using 13% of their capacity if they absorbed all of the stockyards' current volume. It is interesting to note that with the network of community auction markets, their volume of sheep sales have actually grown from 47,000 to 89,000 from 1987 to 1991, at the same time as the stockyards' volume has been going down. Regional markets are more efficient for producers to access and most sheep purchases at Toronto, as I said, are moved back out of Toronto for slaughter anyway.

Finally, is the Ontario Public Stockyards needed as a price-setting mechanism? Historically, it might have been. Historically, when the stockyards were established and as it operated for the first 50 or 60 years of its existence, Toronto was the price setter and the rest of the industry followed. That is no longer the case. Community auction markets often have higher prices. Toronto is a minority and declining market share, as I've shown you. Some community auction markets have a substantially larger volume than Toronto.

In your exhibits there are three exhibits which support those statements. This first one is exhibit C on cattle. The Ontario stockyards prices averaged in 1992 are compared to 12 computerized country auction markets that the Ontario Cattlemen's Association tracks, and the bottom half of that page shows that for all of those stocker and feeder type cattle the price is always higher at the country auction markets. For the slaughter cattle at the top of it, the 12 country auction markets have a slightly lower price than the Ontario stockyards.

What this doesn't reflect is that all the cattle at the Ontario stockyards stand overnight and therefore shrink anywhere from 30 to 50 pounds overnight, so less weight sells at that. The computerized country auction markets are usually same day. The difference in shrink tends to account for that difference in price.

Exhibit D shows one of those stockyards; in fact, it's the Brussels stockyards and compares their prices in 1992

with the Ontario Public Stockyards. Brussels is higher in every category. Brussels, I remind you, is the Gamble and Rogers commission firms that relocated out of the city.

The last chart on your graph is documenting the same type of thing on sheep. This is exhibit E. In each of the last three years any one of the Kitchener Olex operation, the Embrum operation near Ottawa, or the Toronto stockyards operation could have been higher priced at some time in the year for lambs. The variation is not that great.

In summary, we believe this is an opportunity whose time has come. I'd welcome any questions, but we put that in front of you and we hope it documents clearly what we are proposing.

The Chair: Mr Carr, how many are you going to buy?

Mr Carr: Thank you very much and thank you for the presentation. I was interested in how far along with the government you've got. Have you made any other proposals to the government, and if so, where are you at and what has been the reaction so far?

Mr Barfoot: Marie may want to comment on that. I've been involved helping our organization prepare this for the last three or four weeks. I've had the opportunity in that period of time to read correspondence and presentations to the Ministry of Agriculture and Food that date back to the summer of 1991. There's been a series of presentations, letters, meetings and so on.

My belief, as a bit of an outsider, is that the Minister of Agriculture and Food has listened carefully and is interested in this but has been non-committal to date. The OLAMO organization wanted to take this opportunity, and the Minister of Agriculture and Food is on side with the fact that we're here today; Minister Buchanan is aware of it. This presentation was given to him by mail last Friday. I can't say much more than that. Marie, you may have more history on it as to where you think the Minister of Agriculture and Food stands on it.

Ms Marie Forgrave: I know he's been presented with a couple of presentations, and as was stated, he hasn't got back to anyone. Of course, the poor man hasn't had a chance to yet because he just got it last week. The OCA, the Ontario Cattlemen's Association, has held meetings all of January and it had a convention a week ago. So the public has been notified of what is out there and that the stockyards are costing the government \$690,000 a year that's put in by taxpayers. They're aware of the situation, and I guess the rest is probably up to the committee that makes the decision.

The Chair: I have to go on to Mr Wiseman, and you're looking for sheep.

Mr Wiseman: This is all too good to be true.

Mr Barfoot: It is, isn't it?

Mr Wiseman: My immediate question is, what is the other side saying to the minister? I saw the arguments you put up there, but there's also the other side. What would the other two groups that are currently running the stockyards be saying to the minister?

Mr Barfoot: That's a very valid question and I'm not the appropriate person to ask. Obviously, those two com-

mission firms, though, are the beneficiary of lower-than-cost rent, and there's obviously a vested interest in wanting to keep the operation going. As I've pulled this together and tried to look at it objectively as an outsider, I think the case speaks for itself. It does look almost too good to be true. How could you not do something like this? The facts are there that it's the right decision to make.

The Chair: What about drovers? How are they involved? They can open up and sell for one or two days in the northwestern part of Ontario.

Mr Wiseman: Excuse me, Mr Impartial Chair—

The Chair: I'm talking about drovers; I'm not talking about government.

Ms Forgrave: Drovers are at each of our locations. They are free to buy wherever they choose, even out in the country at the farm gate, and they do. They are licensed by the Ontario government to do so, and they pay their dues to the cattlemen's association and the Ontario financial protection plan, but they are free to deal wherever they get the best deal.

The Chair: Maybe we'll hear about Mr Brown and the cows on Manitoulin Island.

Mr Brown: Mr Kwinter.

The Chair: You've got someone down here? Okay, go ahead, Mr Kwinter.

Mr Kwinter: You're not talking about an industry that I know something about.

The Chair: Oh, the weiners, yes.

Mr Kwinter: It seems to me that the industry has changed dramatically. I agree that it makes no sense for the site to be there. It made a lot of sense at one time only because in 1903 when it was established the major meat packers established right beside it, and you had Canada Packers, Swift, Hunnisett and Presswood, and they used to just walk the livestock under the killing floor. They have either disappeared or seriously downsized, and there's no reason for it to be there.

Are the 12 independent sales organizations the best way of doing it? I'm not particularly supporting the two commission companies, but what does industry on the other side say, the buyers? Are they in agreement? Do they have no problem with that?

Mr Barfoot: Again, they're the people to ask, as opposed to myself. My perspective, though, is that the buyers are ambivalent, that it really doesn't matter a great deal. It's kind of like the Field of Dreams situation: If you build it, they will come. They will go where the cattle are available for sale. The buyers in Toronto are already sourcing more than 80% of their livestock outside of Toronto, at other country auction markets or direct from farmers.

The Chair: Mr Kwinter, time has run out. I'd like to thank you for your presentation before the committee.

Mr Barfoot: Thank you for the opportunity.

The Chair: This committee will adjourn until 10 o'clock tomorrow morning, in room 228 again.

The committee adjourned at 1700.

Substitutions present / Membres remplaçants présents:

Brown, Michael A. (Algoma-Manitoulin L) for Mr Phillips

Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson

Hayes, Pat (Essex-Kent ND) for Mr Sutherland

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Ms Ward

Perruzza, Anthony (Downsview ND) for Mr Ward

Clerk / Greffière: Grannum, Tonia

Staff / Personnel: Campbell, Elaine, research officer, Legislative Research Service

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**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 9 March 1993

The committee met at 1005 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): Good morning. Being Tuesday, March 9, this is the last day of hearings on the pre-budget consultations of the standing committee on finance and economic affairs.

BOARD OF TRADE OF METROPOLITAN TORONTO

The Chair: The first group to come up this morning is the Toronto board of trade. I'd like to welcome you to the standing committee. We have a half an hour. In that half-hour, could you leave some time at the end of your presentation for questions from the committee members? You may begin, and please introduce yourselves for the purposes of Hansard.

Mr Michael Lauber: My name is Mike Lauber. I'm vice-president of the Board of Trade of Metropolitan Toronto and chair of the board's economic development committee. I'm a partner of Peat Marwick Thorne. With me are Don McIver, the chairman of our board's economic policy committee and chief economist of Sun Life Assurance Co; and Rob Spindler, the vice-chair of our board's taxation committee and a tax partner with Coopers and Lybrand.

We'd like to thank you for the opportunity to appear before your committee today and speak to our submission, which we made in writing to the Treasurer, dated March 4, 1993. We will highlight the paper and leave time for questions, as you requested.

The board has been encouraging restraint and reduction at all levels of government. We encourage greater communication and cooperation between governments and business. Ultimately, it's only a strong, healthy private sector that can lead us back to prosperity.

Beyond the provincial deficit, an indicator of the severity of the problems we face here, particularly in Metropolitan Toronto, is that there is more vacant commercial and industrial space in the greater Toronto area than there is occupied space in the rest of the country. We could move the country into Metro at this time. It's a very serious situation.

We are also concerned with the report of the Fair Tax Commission dealing with the wealth tax last week. This tax would encourage individuals to leave Ontario and perhaps take the businesses they own with them, and the jobs. It would be a major disincentive to business wanting to locate in Ontario. They consider the taxation structure of their executives when looking at relocation decisions, and it would severely hurt the attractiveness of this province.

We appreciate that the Premier and the Treasurer have cautioned to move slowly on this tax. We recommend that they kill the idea quickly before it creates an atmosphere of uncertainty in the province.

I would ask Don McIver to overview the economic section of our paper, and he'll be followed by Rob Spindler, who will review the tax section of our paper.

Mr Donald McIver: Thank you very much. I suspect at this juncture that virtually all members of the Legislature recognize the importance of the fiscal condition we are in, so the purpose of this brief is not merely to reiterate the significance of these developments but also to add some dimension to our fiscal condition.

For instance, the calculations of the treasury department suggest that 1% growth in the provincial GDP would result in a revenue increase of some \$350 million. To use a very simplistic piece of arithmetic, if one were to count on revenue growth arising from an improvement in real gross domestic product which was large enough to grow out of a \$10-billion deficit, which is a conservative figure, it would take some 30% increase in real gross domestic product, a rather optimistic forecast, I think, by anybody's standard. So I think the first lesson is that we cannot grow out of our fiscal malaise.

Then perhaps the question arises, can we tax our way out of it? Again, I would suggest that we take a look at the figures the treasury department itself provides. They indicate that a one percentage point increase in the retail sales tax would result in a revenue inflow of some \$851 million. So if you were to try to eliminate a \$10-billion deficit—why am I saying this? Just to give a sense of magnitude to these numbers. If you were to try to eliminate a \$10-billion deficit through an increase in the retail sales tax, it would take an 11 or 12 percentage point increase in the retail sales tax. Added to the 8% you've already got and the 7% GST, every time you go to the store you're looking at a 25 to 30 percentage point retail sales tax. I don't think that augurs very well for taxing our way out of it.

Some perhaps might conclude that the correct way to generate tax revenues would be by taking the corporate sector on. Think about this. Last year in 1992, all of Canada's corporations made an after-tax profit in the order of about \$12 billion. Let's be generous and say that 50% of that was generated in Ontario, \$6 billion. Again, in order to take on a deficit the size of \$10 billion, you have to confiscate every dollar of profit earned by corporations in this province and then do it again, if you can find the magic to accomplish that. You have to do it twice in order to meet those deficit numbers.

Lesson 2: We cannot, I submit, tax our way out of the situation.

That leaves the question, of course, of expenditure. In our submission, what we've done is take a couple of items of expenditure and highlight them against the tax revenues that would be necessary or that one could obtain from things like the retail sales tax. I'm only going to mention a couple of them.

The first is with respect to subsidized housing. In 1987, the cost to the province of subsidized housing was some \$33 million annually. According to the Provincial Auditor, by 1995 that cost is going to rise to \$1.2 billion. That's a 36-fold increase. But again, let's get some dimension into that. When we talk about \$1.2 billion, these days perhaps it doesn't sound like a terribly large number, but to cover that would take 3.4% growth—if we talk about the revenue-generating power of an increase in GDP—above what would happen otherwise; hardly reasonable. That \$1.2 billion would take a 1.4 point increase in the sales tax just to cover that one expenditure item.

Another item, if I can just touch on it, is the cost of relocating government employees from Toronto to the outer regions of Ontario, some \$800 million. It doesn't sound like a large amount, \$800 million, but that one expenditure, if you tried to pay for it in one year, would cost an additional point on the retail sales tax. It would cost each taxpayer in Ontario \$226.

There has to be some dimension placed against these numbers. We have to recognize what these numbers mean in terms of our ability to raise revenues.

The argument I would make very simply is that we can't grow our way out of it and we can't tax our way out of it; we are going to have to get out of this through expenditures and through expenditure constraint, and those are going to have to be real expenditure constraints, not selling off Queen's Park to some foreign individual and leasing it back on a long-term basis. We're going to have to do some real expenditure cutting.

Mr Robert Spindler: The tax section of our submission really builds on the economic section. The submission itself contains a discussion on a variety of issues and a number of areas, but the basic thrust is that we would like the government to adopt a policy that encourages our ability to beat our competitors.

The tax system in Ontario has come to a point where there are some very significant disincentives to locating businesses in Ontario. We are losing businesses to our competitors in Quebec and the United States. The government has an opportunity now, with the Clinton administration talking about tax increases, to hold back and to not jump on the bandwagon and think: "Fine. We can match the United States. We can raise our taxes and help the deficit problem." In fact, there's a real opportunity here to show some restraint, hold back, not increase taxes and allow us to beat our competition, allow us to attract investors and make Ontario a more attractive place to locate than anywhere else in North America. That way, we can grow out of the deficit problem. We can attract jobs, we can attract business and we can attract tax revenues, which allow us to explore policies and programs that this government wants to pursue.

The submission we've made looks at a number of initiatives that the government is presently considering, both corporate and personal. We've asked them to consider them carefully and consider them in the context of our competitors. In particular, we would ask the government not to implement tax increases, not to implement a corporate minimum tax, to do away with the commercial concentration

tax to make downtown Toronto an attractive place to locate business, and to harmonize the sales tax—not always a popular topic.

There are other issues that we address on a personal front. I don't want to take the time here to explore them, because the main thrust of our submission is to allow business to compete, to allow Ontario and Toronto to beat the competition and to provide us with some incentives. Basically, give us the playing field and we'll win the game.

Mr Lauber: I just want to mention that the board represents more than 12,000 individual and corporate members. I guess our only motive is to create a healthy business climate in Ontario and in Toronto to create growth in jobs and prosperity for us all. We are pleased to help the government and this committee in any way we can.

That concludes our submission. We would be pleased to answer any questions the committee may have.

The Chair: Okay. It's quite a brief you've got here. Mr Kwinter.

Mr Monte Kwinter (Wilson Heights): I was really interested in your analysis about the fact that we can't grow our way out of the deficit and we can't tax our way out of the deficit, and the only place we can do it is through cutting expenditures. You brought forward some rather dramatic examples of how much the sales tax would have to be increased in order to take care of the \$10 billion, at least, and it's probably going to be more than that. You said how much it was going to take to do some of the other things, but you don't seem to have a handle on what is going to happen to the expenditures in order to get that. You talked about a few things, but they don't even come close to the \$10 billion or \$12 billion. Do you have any suggestions as to what expenditures should be cut? Not just subsidized housing or the one-time move, because although they would cut it, they still wouldn't total \$10 billion. How do you deal with that?

Mr McIver: Of course, it's always difficult to come up with a line-by-line item. I think you need to look, first of all, at some of the items we have suggested or that we have pointed out, and there are a couple more in there that we've indicated: for example, the increase in the rate of social welfare payments; not the case load. One has to recognize, of course, that under the economic circumstances recently, that creates a tremendous burden on the province.

I think there is a whole range of programs that need to be addressed in the social spending envelope, on the transfer side. I think the main thing with both levels of government in this province is that we have got ourselves into a situation where transfer payments to interest groups much more than account for the actual operating costs of government. So those are going to have to be addressed.

How do you do it? Obviously, I think it's essential, if you are going to come to grips with those programs, to do it in a manner which involves both levels of government or maybe all three or multitudinous levels of government. Certainly, there needs to be greater cooperation between the province and the federal government and between the province, the school boards and the municipalities.

Mr Kwinter: Could I ask another question? The mood seems to be that business, from what you say, is either going to Quebec or going to the United States. What do you see as the key thing that a government could do to stop that? Is it taxation that you feel is the main issue? Is it some of the social programs? What have you identified, if you had one thing you wanted to change, that would reverse that trend?

1020

Mr McIver: I have a very simplistic suggestion. I'm sure there will be some more concrete suggestions, but I cannot help but feel, on the province's economic development invitations to business outside of this province, that one should have a rubber stamp that said "Open for business." In other words, there is a sense, I suspect, among potential investors in this province that the message that emanates from this building is one that says: "Hey, we're going to control things. The status quo is not acceptable. The previous arrangements may be subject to change, perhaps on a whim." I think just "Open for business."

Mr Spindler: I think there are some specific things that can occur on the income tax front. We've outlined some in our submission. Tax rates are a very important factor in a business deciding whether to locate in Quebec or Ontario or the United States. The combined federal and local tax burden is very important to the analysis. We in Ontario have a substantially higher tax rate than in Quebec. There is therefore an incentive for business to locate in Quebec, just on the pure economics. Our tax burden is also much higher than that of some competitors in the United States. I don't think we're in a position to have drastic tax cuts, but I think we can slow the rate of growth, avoid the temptation to increase taxes and eliminate some of the sidebar taxes—the corporate minimum tax and what not—that create an impression of a very heavy tax burden.

There are also some housekeeping measures that could be undertaken. For example, Ontario could harmonize with the federal government in its interpretation of tax treaties with our trading competitors. For example, there are some problems with the way Ontario treats businesses coming to Canada—it differs from the way the federal government treats them under its tax treaty with the United States—that provide an actual disincentive to locating in Ontario and encourages people to locate businesses in Quebec and the United States or just across the border. There are some housekeeping measures there too.

But the fundamental problem is that a businessman looking at Ontario and Toronto sees a very high tax burden in contrast to Quebec or the United States. A US business looking at locating in Canada must consider the basic tax plus the cost of repatriating profits across the border. We just aren't competitive.

Mr Gary Carr (Oakville South): Thank you very much for your presentation. I enjoyed it very much. I agree with you and I disagree with the Premier and the Treasurer, who have said that they've got a revenue problem. They do not; they have a spending problem. I look at what we were spending in the early 1980s. If you adjusted that for inflation and increased population, we should be

spending about \$33 billion, if you took the budget in the early 1980s. We're now at \$53 billion, or about \$20 billion more. Even up until last week, when he appeared here, he said we have a revenue problem. He does not; he has a spending problem.

I appreciate what you said about non-profit housing. Anybody who reads pages 125 to 136 and then says we should still be in non-profit housing is a fool. It was an overwhelming condemnation of non-profit housing.

But I want to get specific about social assistance. Your graph on page 6 shows the increase in social assistance. If people will look at that, they will see that during the recession in the early 1980s obviously the case load went up, but during the boom years, when we had the highest economic growth of any of the industrialized countries with the exception of Japan, the case loads and the amounts still went up, and they're going up now even more dramatically. That, to me, says we have a problem. Most people would say, "Yes, during a recession social assistance should go up." This graph shows very clearly that it's going up.

I'll give you an indication of one of the problems we have. I got a call on Friday from a lady who works in Halton region giving out social assistance cheques, a single mother with two kids who used to be on social assistance. She said that she made more on social assistance than she does now giving it out. I said, "Would you be prepared to go public and talk about that?" She said, "I can't, because I work for the region and I don't want to lose my job." I appreciate that.

My question to you is this: You've got President Clinton in the United States, who has now said that if you're on welfare after two years you will be taken off and have to work for the government, cleaning up communities or whatever. You're got a Premier who is now going to link social assistance to jobs and retraining. It goes across political lines. It doesn't matter if you're a socialist, Democrat, Conservative, Liberal. Something has got to be done. One in nine, one in eight people are on social assistance.

Let me ask you this: If you were in the government's position, what would you do in terms of social assistance? Would it be to try to give some subsidies to businesses so that they would hire people, like the Jobs Ontario Training, maybe 10,000, so that they will hire people on social assistance? Would it be doing what Clinton is going to do, take those people and say, "No, you're going to go into the public sector and clean up roads," or whatever? What would the business community like to see done with social assistance in the province of Ontario?

Mr McIver: A complex question, a complex answer, I suppose. Speaking personally, I have never found it reasonable for government to create jobs or to attempt to create jobs. I think it is extremely unreasonable to expect that is going to be a productive avenue at this particular point in time, because given the fragility of our economy, I suspect that for every job that's created by the public sector there will be a job lost in the private sector, and of course all of the spinoffs associated with that.

Quite clearly, I think one needs to revamp the whole procedure of making social welfare available. The example you use—one hears these types of stories all the time—to

the extent that is prevalent, it suggests to me that you have a system which is clearly ineffective, inefficient and discriminatory. The solution clearly is, fix it. And I don't think you'll fix it by grandiose programs of providing public sector jobs. I don't think you provide it by simplistic retraining programs.

The example I use, in order to ensure that I always maintain humility in this, is, "Tell me what is the retraining capability of a 45-year-old economist to do anything other than what I've been doing at the type of income that I've grown accustomed to"? Sure, I could drive a cab. You have to think very closely, I think, before you start recommending retraining programs which are costly and which attempt to train people at a stage in life for a job which they're probably not going to get.

The Chair: I'm sorry, I've got to go to Mr Perruzza.

Mr Carr: That was short.

The Chair: Yours was a long preamble.

Mr Anthony Perruzza (Downsview): Mr Chairman, I can't tell you how ardently I disagree with my colleague when he suggests that we don't have a revenue problem, that what we have is a spending problem.

Mr Carr: There's the problem right there.

Mr Perruzza: I recognize that our debt burden and our commitments to social spending, whether it be for health care, for education or for social assistance, limit our abilities to be able to funnel government resources or more government resources into job training, capital works, infrastructural improvements. Here's where I disagree to some degree with the individuals we have here from the board of trade: I think that we should be doing more in those areas, but recognizing some of our limitations, in my view, we can't do enough. I believe that the private sector can create jobs and when times become very difficult and tough for our citizenry the public sector, quite frankly, has an obligation to move in and soften the blow of hard economic times, because if that blow is severe, then I think that our corporate sector suffers as well.

1030

We weren't responsible for some of the health care and spending problems that this province has faced. But I can tell you that on that front some of the things we've done have been quite positive in limiting the increases in health care spending quite substantively. I suspect that later today, and you may have read this in the paper as well, there's going to be a major announcement, it may have been done already, on Hydro and what Hydro has meant. See, we're not responsible for some of those decisions, and here's where I disagree substantively with—

The Chair: Mr Perruzza, you're going to run out of time. You've got another colleague who wants to ask a question also.

Mr Perruzza: You're right. My question to them—I found something they said rather awkward, that government shouldn't be in the business of trying to create jobs and in the business of providing very elaborate training programs. I just want to know what their opinion is with respect to the Ontario Training and Adjustment Board,

Jobs Ontario Capital, Jobs Ontario Training and our commitments, quite frankly, to the construction industry and the construction sector in creating the kind of housing that we've committed ourselves to.

Mr McIver: Just commenting on the last part of that question, yes, the commitment to the construction industry, but that's the same thing we're talking about when we're talking about \$1.2 billion in operating costs for subsidized housing. Surely to goodness a 36-fold increase in that sector alone is hardly justifiable at a time when every business in Ontario is suffering. I find it difficult to justify the concentration on one sector.

Naturally one has to accept the premise that training is an essential element to the improvement of the Ontario economy. My observation was meant to suggest that, look, we need the proof of the pudding. It's all very well to talk about training programs, but we need to see quality in training. I want to speak specifically about Ontario, but I'm not convinced that in this country, job training programs we've had in the past that have taught a lot of welders to do jobs that we don't have positions for have been terribly effective and I don't think throwing a few thousand dollars at a defunct economist is going to help very much in terms of retraining him to do something else.

You've asked a lot of questions, and I'm not sure that I've got time to answer all of them.

The Chair: Okay. Do you want to make another comment?

Mr Lauber: Just on the reference to OTAB, by the way, the board has been very supportive and very involved in the OTAB process, in developing that. We have a few major reservations on the policy level with OTAB, but in principle we are very supportive and have worked hard on that. We do believe in retraining. It's a question of value for your retraining dollar.

The Chair: Okay. Gentlemen, I'd like to thank you for your presentation before the committee this morning.

Mr Lauber: Thank you.

TAXPAYERS COALITION ONTARIO

The Chair: The next group to come before the committee is the Taxpayers Coalition Ontario. I'd like to welcome you to the standing committee of finance and economics. We have until 11 o'clock, and if you can, at the end of your presentation—I guess it wouldn't take too long—there'll be at least 15 minutes for members of the committee to ask questions. If you don't mind identifying yourself and your position, you may begin.

Mr Paul Pagnuelo: Okay. I'm Paul Pagnuelo, vice-president and director, eastern region of the Taxpayers Coalition Ontario.

The Ontario coalition is a province-wide network of 72 chapters which acts as an independent watchdog on government spending at the municipal and provincial level. I want to say we have absolutely no connection, either formally or informally, with any political party or with any elected official. Our 80,000 members are a composite of the rank-and-file citizens who pay the bills which our politicians rack up.

Over the last 20 years, the politics of special interest have divided the citizens of Ontario and Canada according to labels and moved our governments farther and farther away from the wishes of the majority. As a silent majority, we sat back and watched as a multitude of special-interest groups have paraded before our governments pleading their cases for more publicly funded services. Their whims became their wants, which soon enough became their demands and eventually their rights. Their whining representatives all felt they were entitled by some divine right to have their personal wish lists paid for by everybody else. This developed over the years into the Canadian attitude of entitlement—"I want, you pay"—and in the stampede, which has seen politicians tripping over each other with extravagant campaign promises to win their votes, the rights of that common interest group, the taxpayers, have been abused.

If anybody has been listening to what's been going on in this country over the last three years, I think the message is loud and clear: Politicians and citizens are out of sync with each other. Unlike previous recessions, this time people are really hurting. Hard-working employees and business owners are worried, "Is it going to be my job" or "Is it going to be my business which Statscan and the media report on next month?"

Crushing in on us at the same time is the legacy of so-called responsible tax-and-spend governments. When you add up the unpaid debts of our federal, provincial and municipal governments across Canada and include the debts of crown corporations, government guarantees and loans, and unfunded or underfunded liabilities like the Canada pension plan and workers' compensation, just how responsible is a total public sector debt of \$1.1 trillion to \$1.2 trillion, a debt which has been racked up to pay for all the services which we've used up but expect our children and their children to pay for?

Mr Perruzza: On a point of order, Mr Chair: I'd like to know where that figure comes from before it's used.

The Chair: You'll have an opportunity to question later, Mr Perruzza. It's not a point of order.

Mr Perruzza: It's getting into Hansard, and I don't know where that figure comes from.

The Chair: Mr Perruzza, you're out of order. Carry on, sir.

Mr Pagnuelo: Let's not delude ourselves: We've been spending money we don't have on things we don't need, and instead of dipping into our own piggy banks to pay as we go, we've taken it for granted that it's okay to dip into those of our children. Our public sector debt is a tax we've deferred to our youth. It's not borrowing; it's theft. What else would you call a financial noose around the necks of those who were given no vote and no choice in how their future incomes are going to be gutted? Our governments haven't been responsible to anyone, and as a society, we're not responsible to future generations.

The situation here in Ontario is horrifying. By the end of this month, our provincial debt is estimated to hit \$67 billion. If we add in Ontario Hydro's crippling debt of \$34 billion, \$11 billion from the Workers' Compensation Board

and the Finance minister's projection of a \$12-billion to perhaps even \$14-billion deficit this coming year, I think it's time for a reality check. When your revenues are 25% short of your operating and capital expenses, you're broke.

The options confronting this government are very limited. You either cut spending, borrow more, hike taxes and fees, sell some of your assets or come up with a combination of all four. When it comes to borrowing more, I say forget it. You don't plug a hole in a bursting dam with flour and expect to survive. If you do, you're just delaying an unavoidable disaster.

You can also forget about hiking taxes and fees, because our wallets are thin and our mood is angry. Taxpayers have reached their threshold of tolerance when it comes to ending up with less just so you can have more. If you want to bodyslam consumer spending into the boards and send even more businesses hightailing it out of the province, digging deeper into our pockets with higher taxes is a sure way of doing it.

Selling off assets like passenger trains, computers and crown land to make ends meet is really a desperate move, and it's a short-term gain for long-term pain.

There's only one real choice, and that's to cut deep into spending. Let's not do it through smoke and mirrors and creative accounting. Creating three new crown corporations to remove new, massive debt off the provincial balance sheet doesn't count as a spending cut, nor does downloading costs to municipalities under the guise of disentanglement. This is not the time to be mandating expensive new social programs like child care reform for three-to five-year-olds, with a \$3-billion price tag to be picked up through the property tax base. Funding cuts to municipalities and school boards must not be at the expense of increased property taxes.

The challenge of bringing in a balanced budget by cutting spending will be difficult and it's going to be painful, but it's not impossible. As taxpayers, the time has now come for all of us to impose the integrity, discipline and political will our governments have lacked. If Sweden and New Zealand could do it, so could Ontario.

1040

The Chair: Thank you, Mr Carr, six minutes.

Mr Carr: Thank you very much for your presentation. I agree and I think your coalition right across this province has put pressure on everybody from all levels of government, of all political stripes, for what you're doing. You're the silent majority, and I felt the same way, only I went even farther: I got so mad I decided to run. Sometimes I wonder why I did it, but I got elected. I think you've definitely performed a good function. It's been grass roots, and I thank you for all your work and effort.

There's a fundamental difference between this government and what you and I believe. I firmly believe we don't have a revenue problem, we have a spending problem. You heard the Treasurer say we've got a revenue problem; he does not. Even Anthony today said that isn't the problem.

I want to reiterate: If we were spending at the early 1980s levels, adjusted for inflation and increased population, we should be spending about \$33 billion. Instead, we're going

to be at \$53 billion, about \$20 billion more, so we reduce the debt and so on. That's a fundamental difference.

But I want to get fairly specific. As you know, over the last little while there have been many changes happening, and this government is moving. Hydro announced just moments ago that it's going to lay off 6,000 people. The Treasurer has taken great credit in saying we're going to get rid of 2,500 in a 90,000-odd operation here in the province of Ontario. Hydro will lay off 6,000 out of 28,000.

You heard the chamber of commerce—you may have read in the paper—say yesterday that there should be a freeze in salaries of the public servants in this province. The Premier has not done that. Would you like to comment, as specifically as you can, about the number of employees you see that we would need? We have 90,000-odd in the province. How many do you believe we could cut? It's a difficult question, because you have to know in detail about what we're doing, but I just wondered if you have any comments, because we have to look at a lot of areas; I talked earlier about social assistance. Would you like to comment on the number of employees you see in the province and what we should be doing?

Mr Pagnuelo: It would be difficult to put an exact figure on it. But I think we have to look at what's going on in the rest of society, particularly the corporate world, which produces the wealth of this nation. You see massive downsizings everywhere as companies realize that in the global economy of the 1990s, where competition is the name of the game, they had better reduce cost. One of the easiest ways of reducing cost is to re-examine the jobs of all your employees and to really determine what is essential and what is not; what has been nice to have all these years, but what is really added in terms of bottom-line utility.

I know many companies that have been in the habit of doing certain things in certain ways for years and years and never questioned why. But when they really sat down through necessity and went through each job function and asked what its bottom-line utility to the corporation was, they were in for some real shocks. It's not surprising that you see today downsizings of 10%, 15%, 20%, and then they come back a year later with even further cuts.

I think we have to examine as a society all the things we do, and that includes government. Government has become too large at all levels: federal, provincial and municipal. Let's take a look just at the municipal level. The example which strikes us most clearly all the time is the school boards: the number of school boards, the size of administration, the number of elected representatives. It astounds me that in my county we have 15 trustees on the school board but we have one elected MPP to cover not just my county but the one next door. There's something wrong in that whole system. I think we have to really seriously examine the entire cost and purpose of all the functions done by government and we have to downsize, and downsize considerably.

Mr Carr: One quick question on property tax, because I think time's running out. This government, when it was elected, said it was going to raise funding of education off property tax on to the province, back to 60%. It used

to be about 27% in Halton, and it's gone to down to about 22%, which is a worse percentage increase than even the Liberals or the Conservatives, all governments of all political stripes. What would you like to see happen with the education funding? As you know, this is where the taxpayers coalition started, over property tax and education. What would you like to see done in that area?

Mr Pagnuelo: In terms of property taxes and education, we'd really like to see the entire operating cost for the essential core programs funded 100% by the province. What we would like to see is that at the municipal level, where they want to add on additional programs in the schools, that would be funded on a 50%-50% basis by parents and by all taxpayers through their property tax bills.

In terms of capital costs relative to building new schools, again, let me use my county as an example. We have 200 portables in our county, a tremendous amount, and terrible. How do we get around that problem? We're seeing double-digit tax increases each year at the property level in education, but it's not going to the students and it's certainly not going to the buildings that house them. What we'd like to see in terms of capital costs is that those would be funded through the property tax system, but have the province responsible for the core, essential programs in terms of operating costs, and any programs it mandates.

Part of the problem we've got is so many programs being mandated and downloaded to the boards. And once they're entrenched, we find what happens is that that ratio decreases from 60% to 55% to 50%, and it keeps getting smaller. That's because of the consequence that obviously the provincial government—and I don't blame just this government, but the provincial government generically—finds itself squeezed, so the easiest way is to pass it down. They keep spending at the same rate or greater, but they're able to mask it through downloading.

The Chair: Mr Perruzza. You also have two colleagues who want to ask questions.

Mr Perruzza: Thank you, Mr Chairman. I'll keep my comments very, very brief.

I agree with Paul that we didn't create the mess you see, we didn't set up the boards we have in Ontario. But I don't believe for one minute that the Conservative solution to just simply crank up our share of funding to boards to 60% is in any way—

Mr Carr: You caused it, not us.

Mr Perruzza: You're really naïve if you think that if you increase the share to 60% you're going to—

The Chair: Mr Perruzza, through the Chair.

Mr Carr: Don't make promises, then.

Mr Perruzza: Mr Chairman, he's very naïve if he thinks that by cranking up the provincial share to 60%, that somehow magically is going to lower property taxes—

The Chair: I'm sorry, Mr Perruzza—

Mr Perruzza: —or not going to be consistent with property tax increases.

Interjections.

The Chair: Come to order.

Mr Perruzza: I'm going to pass to my colleagues.

Mr Carr: This committee got along great until you came on.

The Chair: If you want to talk, go out in the hallway. Mr Jamison.

Mr Norm Jamison (Norfolk): Thank you for coming here today, Paul, and for giving us your presentation. In the initial question by Mr Carr, he indicated that the budget should be at \$33 billion for the province. That's a \$20-billion reduction, phenomenal if you were to understand what that would mean to the social fabric of our province.

Downloading, I might say, is taking place at every level, and I would say that's true. We have to be more efficient at what we do with the money we have to spend. But we have to realize that we're in the worst recession since the 1930s, and a prolonged one. The difference between business and government is that business cuts back its production levels. The problem with government is that you have many more people on the rolls at that point.

Coming back to the \$20-billion reduction—when Mr Carr mentioned it, you nodded your head—I would ask you what cuts you would make.

Mr Pagnuelo: Let's not blame the rising costs all on welfare, because it's not.

Mr Jamison: The question is, when you nodded at \$20 billion, what cuts would achieve that, in your mind?

Mr Pagnuelo: I'll show you some of the things that we're familiar with. Our focus has largely been dealing with municipal governments, but the first place you can start, I will suggest, is with transfers to municipalities for certain things such as roads, libraries etc.

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The one thing we keep hearing in local councils all the time when a proposal comes before them to build a new library or buy a new road grader, what have you, the rationale that's always given is—I hear this often in the school board in terms of some of the programs—"It's okay, we can go ahead and do it, because it's only going to cost us at the local level a very small amount." It's fundable by the provincial government. It's like free money.

What happens is, you end up with municipalities spending money that is not essential, not needed, but they're doing it because they can get it from the province. Their theory is, if they don't ask for it, if they don't take advantage of it, they're going to lose that right. That's been said to me many times by municipal governments, "If we don't take advantage of these situations, they're gone." I'm saying, my God, that's just adding to the problem, and it's that mentality of, "It's okay; it's fundable," that's getting us into this problem in this province and in this country in terms of our financial debt.

Mr Jamison: I have to say that doesn't really answer my question. My question was, as an organization that has done some deep study and has been around for a long time—

Mr Pagnuelo: No, we haven't been around for a long time. We started three years ago.

Mr Jamison: Well, it's been around long enough to assess the picture. My question to you is, after nodding to Mr Carr's remark of a \$20-billion reduction in expenditures at the provincial level, how would you achieve that?

Mr Pagnuelo: I would cut out the make-work projects, eliminate them. You're going to have to freeze spending; no new spending whatsoever. Go back five years.

Mr Jamison: I'm talking about a reduction of \$20 billion.

Mr Pagnuelo: I'm not saying \$20 billion. I'll be satisfied with a balanced budget, where we can eliminate the situation where there's a deficit. Our concern immediately is with the growing deficit. Every year there's more being added to our provincial debt; every year there's more being added to our national debt. Our concern is what that does to the social fabric of future generations.

Look at capital projects. Many of them don't need to be spent now. Put them off. We haven't got the money. Wait until we've got the money. Look at what's going on in terms of some of the capital projects that are being touted now, in terms of creating jobs such as the Let's Move program in terms of transportation in Toronto. I think it's ill-placed in terms of timing.

Mr Jamison: What you're saying is there's no need to build on the infrastructure of this province.

Mr Pagnuelo: Not at this point in time when we can't afford it. I think when we look at what's happening in terms of the city of Toronto, the ridership that has been lost in terms of existing subways, we really have to question if that money should be spent now. If you want to promote public transportation, I would much rather you facilitate the private sector in doing it by easing legislative restrictions.

Non-profit housing has been mentioned. I think all we need to do is read what's happened there in terms of cost. Nobody's saying that non-profit housing is not a necessity, but are we getting taken to the cleaners on this one? That's the question.

There's a host of non-essential services as you go through and question what it is you're spending your money on today. Go through line by line, service by service, and distinguish between what is discretionary and what is absolutely essential. What we've got to be focusing on right now is the absolutely essential.

The question that worries all of us is, where do we go if this continues year after year after year? Three years down the road, four years down the road, are we going to be satisfied with continued \$10-billion, \$12-billion deficits adding to the debt year after year? Are we going to be satisfied with taxes continuing to increase year after year? What does that do to consumer spending when your discretionary spending shrinks until it disappears? What does that do to business investment and the creation of new jobs or the maintenance of existing jobs? I think we've got to seriously look at what the cost of government is.

It's interesting in that studies done in the States recently—these are details I'm bringing back from a conference I had out in Calgary at the end of January—show that those states that had the highest taxation also had the lowest growth in productivity in terms of wealth.

Mr Jamison: Do you agree—

The Chair: I'm sorry, Mr Jamison. Mr Kwinter.

Mr Jamison: Do you agree that deficit financing is normal in recessionary times?

The Chair: I'm sorry, Mr Jamison.

Mr Pagnuelo: I would suggest that deficit financing is a very dangerous avenue to pursue.

Mr Jamison: It's normal during recession times?

The Chair: Mr Jamison, you're out of order.

Mr Pagnuelo: Nothing is normal during a recession.

The Chair: Mr Kwinter, you have the floor.

Mr Kwinter: Mr Pagnuelo, you raise some very interesting points. I would be more interested in hearing some more defined solutions. To give you an example, by the end of this government's mandate, the debt of Ontario will be approaching somewhere around \$100 billion. The servicing of the debt will take up about 20% of the revenues of the province.

Mr Jim Wiseman (Durham West): That's not accurate, Monte.

Mr Kwinter: You may say that. That's a matter of opinion and you'll have your chance to give your opinion. But I can tell you right now it's at \$67 billion, the deficit coming in this year will be about \$12 billion and it will stay that way for the next three years. We can't spend our way out, because the economy is not going to grow to the point that it's going to reduce the deficit, and we can't tax our way out.

So what you have is a situation, regardless of what you think about it—and I'm not making a political statement; I'm making an economic statement—I think what we have reached our level of tax tolerance.

Mr Pagnuelo: Oh, definitely.

Mr Kwinter: Okay. So we're not going to tax it. The revenues are not going to be there because the economic best-case scenario: If we get a 4% increase this year, which is close to what the Treasurer is predicting, even though every economist who appeared before us was lower than that—and the chances are it'll be closer to 3% than 4%—that means we're going to continue to be in a deficit position and there are going to be deficits for at least the next five, six, seven, eight years. There's no way that you can change that.

My question is, given that Hydro is cutting 6,000 jobs, that CN is slashing, that IBM, which has never had a lay-off in its history, is slashing, there's only one route to go and that is to curtail your spending. But no one has come up with the definitive solutions to what should be cut that's going to balance the budget. We're looking at a cut in one year of about \$10 billion.

Mr Pagnuelo: I don't profess to support the need for consultants, but I would suggest that this Legislature consult with Sir Roger Douglas, who's the former Finance minister of New Zealand. He can tell you what they had to do in New Zealand and what he did in order to survive in that country and to restructure their economy. It was an overnight miracle. They had to do it. They were forced to do it.

There's lots on record and there's lots I can supply this Legislature in terms of materials on New Zealand I've got back at the office. But I think what you've got to start looking at is, what did Sweden do and what did New Zealand do when they were faced with the same situation that we're in? They had to cut and they had to restructure and they did it.

Some of the things we look at here are the high-cost items: education, transportation, the environment, health, justice. We've got to focus on all of these things. Education: there's a tremendous expenditure annually and I think that per capita we're probably paying the highest in North America and certainly not getting the output that's desired. I think we've got to look at restructuring the entire education system—not what we've got and not Band-Aid solutions, but major restructuring.

The one thing that is appearing to be very successful in terms of reducing cost, increasing competitiveness, increasing productivity and increasing output in the education sector is the voucher system. That's something which I think this government should seriously look at and study and not discount it out of hand.

The Chair: The time's expired. It's 11 o'clock and I'd like to thank you, Mr Pagnuelo, for coming before this committee this morning.

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ONTARIO FEDERATION OF AGRICULTURE

The Chair: The next group to come forward is the Ontario Federation of Agriculture. I'd like to welcome you to the standing committee on finance and economic affairs. We have until 11:30. I hope you're not reading the whole brief—members will have an opportunity to read it later on—because I think you'd take all your time up reading it. As I look in here and see some of these charts, I think I've seen them before throughout the year. You may begin by identifying yourself for the purposes of Hansard.

Mr Tony Morris: Thank you very much, Mr Chairman and members of the committee. Please excuse my voice. I'm getting over a cold I had on the weekend, so it might be a little rough.

My name is Tony Morris. I'm an elected member of the executive committee of the Ontario Federation of Agriculture. With me are Cecil Bradley, who is manager of research and policy, and Ed Ketchabaw, one of the people we have within research and policy.

You're quite right, Mr Chairman. I have no intention of going through the brief word by word. Perhaps I would ask that we could have this submitted on record. If I may, I'll draw you to some of the highlights on the very first page, a summary of recommendations.

I think the very first recommendation is perhaps a very important one from agriculture's perspective, that the government work with farm organizations to develop creative and effective ways to increase support to the agricultural sector. I will expand upon that in just a few minutes.

You mentioned some of the graphs. I might add that these have been updated to show that last year when we showed you those graphs they were not just a shot in the

dark, that we actually have a trend that is now on a continuing basis and one that we must be very aware of.

If we go down to number vi, we have one that is of course very important to the farm community, and that is to continue the farm property tax rebate program until property tax reform has taken place in the province of Ontario that eliminates the need of things such as the education tax on farm land.

I might just highlight some of them. Number viii is to implement a county- and region-wide section 58 combined factor assessment for the entire province unless county- and region-wide market value assessment is already in place.

Number ix is to establish the capped variable mill rate option as a system for municipal taxation that would more fairly tax farm property according to the benefit principle. I think we are on record before as having said that farm land as such does not receive many of the benefits for which it is paying, such as education. It is the people who receive that benefit. Therefore, the benefit principle is one that we are very actively promoting.

Number x is to not act upon the advice of the Fair Tax Commission's working group on the environment and taxation. In agriculture, as I'm sure many of you may well be aware, there was a suggestion that perhaps agricultural inputs should have been taxed, specifically those involving chemicals and pesticides for use in farm production. The agricultural community has shown over the last number of years that we can do a very good job of educating our people in reducing the use of these chemicals and pesticides and using them with modern technology that is being developed every year to reduce the amount being used. Use education in the farm community rather than taxation, which, in our view, would be a regressive way to go about things.

Number xii is that we are recommending that the Minister of Agriculture and Food take the lead on an inter-ministerial committee charged with formulating a rural development strategy that has as its primary goal retaining and creating jobs in rural Ontario.

The Ontario Federation of Agriculture has for some time been promoting that it is not just agriculture that is in a lot of trouble, that it is indeed rural Ontario. To that end, to provide a lot of opportunity for the people who not only work on the farms but live in our small communities across the province, it becomes absolutely of paramount importance that we look beyond the concrete of Toronto to the far reaches of this province, from Thunder Bay to Sault Ste Marie to the areas down in the southwest and, indeed, the area I'm from, the Grey and Bruce regions, which have been dramatically affected by cuts in things such as hospitalization and policing and education and whole areas of infrastructure within society that people within the major urban centres have come to expect. We believe that to really get rural Ontario back on track, we need to be working together to make that happen.

Number xiv I'm going to highlight because, as you said, Mr Chairman, I certainly don't want to use up all my time going through the brief. But I think it's very important. We're suggesting that the rural residents, those involved in agriculture and in the small communities of our province, have the opportunity to invest back into their

communities through rural development certificates or something along those lines.

When a farm or a small business is sold today in Ontario, too often that money moves out of the system within that rural community. It moves into a larger urban area or into a town within our rural communities, and it is not effectively used. I can look at the sum of \$62 billion that has been estimated to be in liquid assets in rural Ontario that really is not productively used, not being used to create and generate jobs in the rural sector. What we're suggesting is that some form of mechanism be found that can attract these dollars back into the rural communities through investment, either investment in the small businesses or the farms in the area, and offer an alternative system of financing to perhaps take on some of the ventures that many of the farm families in this province want to do but are stymied by some of the conventional banking systems we have, that perhaps don't have a full understanding of some of the new products—I specifically mention new products—and some of the new ways that we want to get involved with either further processing or value-adding on the farms.

I might just mention at this time that I was involved at one time within the banking community, so I'm well aware of—how should I put it politely—some of the very barriers that exist in the way they look at some of the small businesses progressing in the value-adding and the new products.

I've had many opportunities over the last year to discuss with some local bankers about different products, and it's a knowledge they do not have. Conventional agriculture is one thing, but when we start talking about some of the products with which we can satisfy some of the ethnic communities in the city of Toronto and other areas, it's a whole new ball game to them. We look at this rural investment as being very important in that regard.

If I may, without going through the brief, I'd like to preface by saying that agriculture is well aware of what we now term as the new economy in the pharmaceuticals and the semi-conductors and computers etc. We're well aware of what is driving, in a lot of circles, that particular part of the economy.

Having said that, we're well aware that in 1904 a major part of the economy was to make buggy whips. We're well aware of what was driving the economy in parts of Europe back in the 1600s. But at the very root, the very core of any society through history, agriculture has been the mainstay. Whatever happens to the economy, regardless of historical evolution of the industrial trading base, agriculture has always been at the core.

Having prefaced that, I would turn to page 9, if I may. I may skip around a little, and I would ask my colleague Cecil Bradley to help with some of these graphs. On page 9, figure 3.3 is Capital Investment and Depreciation in Ontario Agriculture. Prefaced by saying that we recognize the new economies and that agriculture is at the core of any economy of any society's ability to progress in this world, to me, this graph indicates just how serious a position we are in within the state of agriculture. I cannot find, and I'm sure many of the researchers cannot find a point in time for which we have kept records where we have a

period of disinvestment within the agricultural business and the agricultural sector.

As you can see, in 1990, we hit the crossover point. You're quite correct, we have used this graph before, but at that time we stopped in 1991. As you can see, this has now been extended to 1992, and there has been no change in the trend that was established. That to us is a very, very serious trend, because it clearly indicates agriculture's ability to respond to a competitive global marketplace, if that is what we truly believe the future to hold. You have to have the tools.

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I would use an analogy. When you take your car into a garage, if your mechanic does not have the tools to do the job, you cannot get your car fixed. So it is with agriculture. We are losing our ability to compete, because we don't have the tools: We don't have the technology with respect to machinery, we don't have the technology with respect to barns and to systems involved in agricultural production.

Those systems are out there. I have in the last year had the opportunity to travel to Europe and I saw machines that, I'll be quite frank, I didn't know what they were until I asked, because these things are so technologically advanced over what we have in Canada at the present time. Their farmers are using them and getting to the point that their production is so much higher than ours and they're able to compete. I'm quite well aware of some of the investment their governments have taken.

Flipping back to page 8, figure 3.2, I think it very clearly highlights, further in that vein, the investment in Ontario agriculture versus the investment in the rest of the Ontario economy. If you look at the one with the triangles, that follows the same line as figure 3.3, the capital investment depreciation. That is what agriculture has done since 1979. I'm quite sure we're well aware of the recession we went through back in the early 1980s and the impact that had, and then the economy started to rebound. The rebounding of the economy of the province as a whole can be clearly seen by the solid line, where it crossed in about 1985. That is the upsurge of capital investment by the rest of society, yet agriculture continues to drive to the bottom, because we just don't get the return for the products we produce, and there has been a marked lack of government involvement and government expenditure within agriculture.

That can be clearly seen when we go back to page 3. I apologize for skipping around, but I'm trying to do it without going through the whole brief. Page 3 is the expenditure of Ontario Ministry of Agriculture and Food as a percentage of the Ontario government's total expenditure. As you can see, 1992 was certainly the lowest point since 1979; I would have to hazard a guess that if we extended that back to 1969 or 1959, we would see that trend on an even keel until we hit the mid-1980s or 1987, from which time we have continually been reducing. That has a marked effect on our ability to compete, not only in a world market but with our neighbours both east and west, from Manitoba and Quebec, and down to the south, because very clearly their governments have taken a much more active role in supporting their agricultural communities.

I'm going to pass to Mr Bradley in a second. He can probably explain the figures on pages 4 and 5.

We're well aware in agriculture of the problems facing this province with respect to fiscal restraint. Having said that, agriculture is not the place to be looking with respect to raising increased dollars, be it through taxation on our capital assets or taxation involving some of the products we produce, such as tobacco, because quite clearly the producers who produce these products do not have the ability to take any more for society. Society has no right to expect the producers of this province to continue to fund the projects they have, either in their cities or within their infrastructure, that do not relate to agriculture. Many of our products have received unfair taxation over the last number of years. I'm certainly not going to take too much time in getting into them, but the families of the people who produce those products cannot continue to be the ones to carry the burden for society. As I mentioned earlier, we have enough problems trying to get our finance community to understand some of the new products. Certainly that relates to government as well as we look at some of the new products, with respect to some of the new species we want to farm that we are adapting to farming and that can provide an economic base for many producers across this province.

Agriculture cannot continue to carry the ball. We must have support. These graphs clearly indicate that. Cecil, perhaps you could take a short time to explain the graphs on pages 4 and 5, because I think they indicate, from a government perspective, how we in Ontario have been treated.

Mr Cecil Bradley: Figure 2.2 gives a comparative look at how Ontario does in terms of industry support relative to the other provinces, expenditures on agricultural support versus total expenditures. I think you can see that Ontario, as a percentage of total provincial outlays, ranks fairly low. In other words, it's below Quebec, it's below the all-province average and it's below Alberta and Saskatchewan. We single out Alberta, Saskatchewan and Quebec for comparison purposes because those three provinces and Ontario between them produce about 85% of the agricultural produce in Canada. You basically have Canadian agriculture in those four provinces.

There is a problem in that comparison, though, because simply looking at total provincial outlays doesn't account for the fact that the agricultural industry is of considerably more importance in some provinces than in others. In other words, in Saskatchewan, agriculture accounts for perhaps one quarter of the total economy. If you put your comparison on a gross domestic product basis, then that tends to correct for the relative concentration of agriculture in the overall economy.

That's the calculation you see in figure 2.3, where we show the cents in provincial government spending in support of the agrifood sector versus the value added that the sector puts into the economy as a whole. Again, Ontario comes in at the bottom, or almost the bottom, of the ranking. Ontario spends about seven cents in sector support for every dollar that the sector contributes to the overall economy. That's about half the national average. The national figure is 13 cents. Again looking at what I call the other

agriculturally significant provinces—Quebec, Alberta and Saskatchewan—Ontario is well below the level of support.

The argument is essentially one that the province has considerable room to move if it wanted to improve its support levels for the industry, considerable room to move even before it came up to the Canadian average, let alone before it came into line with some of the other agriculturally significant provinces. If anybody has any questions about exactly what is agri-food sector GDP and so on, I'll be happy to deal with that in questions and answers.

The Chair: Are we all set to go for questions?

Mr Cecil Bradley: Absolutely.

The Chair: I thought maybe someone else was going to make some comments. Just one thing: In Ontario, are you adding in the federal money kicking in or just provincial?

Mr Cecil Bradley: No, just provincial.

Mr Wiseman: Unfortunately, Gary Carr isn't here.

The Chair: Mr Wiseman.

Mr Wiseman: Why don't you let me finish before you start shutting me down? In the first presentation this morning it was indicated by Mr Carr that the Tory position is that we shouldn't be spending any more than \$33 billion in terms of the Ontario budget. That was reiterated a couple of times, I think, with the subsequent presentations. My question is, given that the Ontario government transferred somewhere in the neighbourhood of \$558 million in funds to agriculture through OMAF this current fiscal year and \$564 million in 1990-91, and given that to reach the \$33 billion that the Tory party has obviously taken as its benchmark would require somewhere in the neighbourhood of a 42% or a 43% reduction across the board of all funding of the budget of Ontario, including OMAF, what would be the impact of, say, going from a \$560-million budget to a \$280-million budget on the agricultural sector?

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Mr Morris: Mr Wiseman, perhaps I could reverse the question and say, what would be the impact on Ontario society if it did not have the ability to produce its own food?

Very clearly, what has happened with the agricultural budget is that we have \$166 million worth of property tax rebate that quite clearly is not part of the agricultural budget. It should very clearly be within Municipal Affairs. It is a return of education funds, or education taxes—an unfair taxation system that for 20 years governments have recognized as being unfair taxation and have done nothing about. That \$560 million that you talk about is now down to \$400 million. Of that \$400 million, \$20 million in 1992 was earmarked for the government's investment strategy for agriculture and has not been spent. I believe it was \$180 million to \$210 million that was actually spent on agriculture in 1992—I don't have the figures right with me—because a lot of the funds that were earmarked were simply not spent. They've been budgeted but are being carried over.

That would certainly bring me to my point on the agricultural investment strategy, where in May 1992, Minister Buchanan announced a \$120-million strategy for Ontario

agriculture over a five-year period that we have not used in 1992. The OFA would be very upset to have any of that funding cut when we have received the assurance that this money would be spent, and it has not been.

We are suggesting that it has to now be spent before 1997, because the only way that we can see society benefit, if you look at the spinoff effect of agriculture, is to grow from the base. You can't start growing from the top down. I'm sure today's Ontario Hydro announcement will quite clearly demonstrate that. The problems with GM, the problems with Air Canada, the problems with Canadian Airlines International, the numbers of people we're talking about being laid off—agriculture doesn't lay people off. We create jobs. We create them. Any money that can go into the creation of a job has surely got to be good for society, and any discussion on cutting it, would surely be like cutting your right arm off, because the moment you cut it off, someone else is going to come in and supply your market for you.

Believe me, if we have to rely on somebody else to supply this market, I'm quite sure of the kind of price we'll end up having to pay, so it would be a false economy, in my mind.

First off, I would suggest that if you wish to, I'm quite sure agriculture would be quite happy to see the \$160 million taken out and put into Municipal Affairs where it should be, and leave our agricultural budget, and that will give us the additional funds to assist us.

Mr Michael A. Brown: (Algoma-Manitoulin): Tony, we know that rural Ontario is probably as bleak a place to be as there's been in this province for a long time. I know in my constituency in northern Ontario, it's not happy times in the farm community or the rural community in general. I know, because of what we produce in my area, that it's worse in other parts of the province than we're seeing it. Commodity prices have dropped. There are concerns over GATT, concerns over NAFTA, concerns over a wide range of things that people, at least in my riding and, I suspect, across Ontario, feel they just have no control over. So that's making it very difficult out there.

As we look at your numbers, it's not very hard to convince me at least that this sector needs a little bit more support than it's getting, that if we hope to continue a rural base, we're going to have to be doing something. The thing I always have problems with, and this is very complex, is deciding how to do that. I appreciate your 12 recommendations, but what I wondered was, if it were you and you were Floyd Laughren today, could you give me an indication of what kinds of dollars you thought were really necessary and which programs you would prioritize as the ones your organization thinks are necessary, not just for the farming community but for rural Ontario.

Mr Morris: I think actually asking me to handle the province's Treasury would be like putting the fox in the hen house.

Mr Brown: Everybody has his wish list, Tony.

Mr Morris: Exactly. There's no question, and as I said in my preface, we are fully cognizant of the fiscal restraint within the province of Ontario and some of the

monetary problems we face. But very clearly, if we look at where these problems started, we really believe that agriculture is at the root of some of the problems in Ontario in that as agriculture's decline has been shown, so has the province's. The graphs would seem to indicate that you can tie the monetary problems of the province with the decline of agriculture. As our agricultural base has started to decline and the profit margins of many farmers have seen a drop, so has our ability as a province to meet many of the needs of society in Ontario. If you're asking which egg does one pick out of the basket, I'm not sure if there is any one, because many of them are tied together.

For example, we have suggested an investment tax credit complementary to that of the federal government, that the federal government brought in December 1992. But what we're suggesting is that perhaps we should look at a tax credit on buildings, on structure rather than on something like machinery. I believe that only 15% of the machinery we use in Canada is actually produced in Canada, whereas the majority of buildings we would put up in Ontario would use Ontario labour and many of the materials we would use within those buildings would be Ontario materials. So there comes a question: It's very difficult to pull off part of a wheel without the thing getting out of kilter. They all work complementary to each other, and to get into any specific discussion I think would take far longer than we have today.

Mr Carr: Thank you very much for your presentation. As you know, we had a chance to meet with our caucus as a group and go into a lot more detail. I even think we were in this room, if I remember correctly, or maybe next door, where we spent a great deal of time going over many of the concerns with some of the people, including our critic and so on.

One of the things that came out of those discussions that I thought was a really good idea was to put together an agricultural and rural strategy. You've talked about some of the recommendations here, but when we talked we found that it isn't just money. What you're talking about isn't just coming in with more money. We really have to take a long, hard look at all the areas. In that discussion you went into great detail, "Boom, boom, boom, here are some of the concerns we've got." I just want to see if you have some idea how we could do that, and I want to see how you feel we could do it, whether you feel it would be like a cabinet committee, an all-party committee that puts together a strategy. How would you see that working?

You made some great recommendations. I don't know when we met, probably Christmas, and yet nothing seems to have moved ahead. How would you see that put together, how would you like to be a part of it and what do you see coming out at the end if we put together a real strategy?

Mr Morris: Certainly, we see agriculture as a non-partisan issue, and the strength of agriculture and its ability to provide for the people of Ontario. Our recommendation 12 was suggesting that the Minister of Agriculture and Food take the lead on an interministerial committee charged with formulating a rural development strategy.

We believe the Minister of Agriculture and Food certainly has that responsibility to ensure that all of us are included. He did take that, and a lot of work was done by people such as Roger George of the federation of agriculture, and our Vision 20/20 conference that was held back in November, I think, was a start, but it's a small start. There is a lot more work.

You made a very good point, and I would certainly draw the committee's attention to our summary of recommendations, that much of what we're talking about is strategic planning for the province of Ontario for agriculture. We're not talking about just throwing money at the producers to be used in a way that cannot be productive. What we're talking about is putting money in, having thought about how it could be used within the infrastructure, whether it be processing or transportation, within the investment tax credit side or being able to build and put into place the technology we need, because very clearly we're using a lot of buildings, a lot of machinery that, quite honestly, should not be used. By industry standards, it's a long way behind the eight ball.

What we're saying is that if we can put the tools in place—and when I say "we," I mean agriculture and governments together—then we'll let the producers do the work. I think that's the key. Perhaps in the past we shovelled the money, if I may use that terminology, in the wrong direction. It's been very, very useful and most welcome by many producers to keep them farming, but quite frankly, and I think the executive of the federation is on record having said it in numerous meetings around the province, that's not going to be the way it has to work in the future. That does not mean to say that the government's commitment to agriculture is lessened—it's actually heightened—but perhaps the direction we take is a little more thoughtful in that we put into place the foundations on which the producers can build.

The Chair: Gentlemen, I'd like to thank you for your presentation today.

Mr Morris: Thank you very much, Mr Chairman.

The Chair: Mr Wiseman, could you withdraw that statement, "Mr Carr isn't here"?

Mr Wiseman: No, I won't.

The Chair: No, you won't?

Mr Wiseman: Why would I? He wasn't here.

The Chair: The thing is that he had already come to the Chair to say, "Save my time till the end; if not, give it among the other two parties."

Mr Wiseman: But that's not relevant.

Mr Carr: On a point of order, Mr Chair: Just so you know, I was out complimenting the government on what it did with Ontario Hydro today. I wish Floyd Laughren would do the same thing. That was a cheap shot.

Mr Wiseman: Kind of like the rest of yours.

Mr Carr: I'll just remember that.

The Chair: Mr Wiseman, other members aren't to refer to other members being missing at any time. I didn't wind up saying that you walked in 15 minutes late this morning, either.

Mr Wiseman: I wasn't late; I was the first one here.

Mr Carr: I've asked more questions in this committee than you have. During this entire period of time I've been to more of them. We've only got two people. I stepped out for a minute, you little—

The Chair: Do we want to just recess for two minutes?

The committee recessed at 1132 and resumed at 1137.

The Chair: I'd like to welcome you before the standing committee on finance and economic affairs. I'm sorry that we took that few minutes of recess, but it cooled everybody down a little bit and—

Mr Carr: You know what I could do right now, Mr Chairman.

The Chair: I know, but I'm going to ask you not to do it.

Mr Carr: And I won't.

The Chair: Okay.

Mr Carr: Just look at this.

The Chair: Okay. Gentlemen, we have half an hour.

Mr Carr: I will be good. I promise.

CP RAIL SYSTEM

The Chair: You didn't lose any time here. It's your time. For the purposes of Hansard, would you mind identifying yourselves, and you may begin.

Mr Gil Mackie: Thank you very much, Mr Chairman. I appreciate the opportunity to be here. My name is Gil Mackie. I'm executive vice-president of CP Rail System, and I guess among my responsibilities are the operations for CP Rail for all the property east of Thunder Bay, including the US east coast.

John and I were just looking at the Globe and Mail and reading our brief this morning, so it's very, very timely.

Mr Carr: At least you got out.

Mr Mackie: Yes. How did they know we were going to be here? John?

Mr John Taylor: Good morning. My name is John Taylor and I'm director general of government and industry affairs for basically that same area of territory that Gil just mentioned.

We certainly appreciate this opportunity to take part in Ontario's pre-budget consultation process. We are not here as designated spokesmen for the rail industry, although much of what we say applies generically to the rail industry in Ontario and, in the larger context, to North America. The remarks I'll be making today are a précis of a more detailed brief that we've left with you, and we certainly hope that you will find the time to read it. What everybody needs, I'm sure, is more to read, but we do believe the message is critical to Ontario's future.

We also imagine that in these hard economic times, almost everybody who has appeared before your committee has asked for some form of tax relief or more money, as the case may be. We'll also be asking for tax relief this morning, but only in the context of how it would be in the province's best overall interest, we believe.

1140

The railways' financial situation is bad, particularly in eastern Canada. There is a real and imminent possibility that parts of the eastern rail infrastructure will be lost. We urgently need change from government to help avert this. Putting it as succinctly as possible, at this precise point in time the railroads are at a crossroads. That's sort of mixing a metaphor there a little bit. We have too much plant chasing not enough freight. This overcapacity translates to a huge cost burden and we're losing money.

At the same time Ontario, which is also strapped for money, is seriously contemplating major expenditures on new highways and its policies favour the railways' competition, setting the stage for more freight to move off the rails. As railways lose more business, there's more pressure on us to reduce investment in plant and more pressure on the province to build yet more highways to replace the lost infrastructure and so on. The circle continues and gets narrower and tighter.

Government and the railways have choices to make now. Railways can provide safe, economical, environmentally responsible, modern, innovative and competitive transportation services running on in-place, paid-for infrastructure, but they must achieve fair cost reductions from many sources, including the province of Ontario. Ontario can choose to provide relief now at a fraction of the cost to taxpayers and to the environment compared to what the cost will be if the circle is not broken.

In working on our brief, we read the document *Renewing Ontario, A Plan for the Economy*, with much interest. We certainly found a lot in it with which we agreed and in the main brief we have we tried to relate our words as much as possible to this document.

The Ontario government said in that paper that it "believes that its leadership is an important ingredient in helping the economy reach its full potential." We agree with that and we certainly empathize with the statement: "We (the government) need to manage our finances so that limited resources (ie, revenues) can be directed to Ontario's priorities and needs."

CP Rail System believes that the railways can help Ontario meet its transportation priorities, needs and objectives as part of the government's plan for economic renewal.

CP Rail System has a significant presence in Ontario which we can summarize as follows: In 1992, in Ontario, we operated approximately 8,000 route kilometres of track, much of which parallels the highway structures. We employed almost 6,000 people. We originated or received over 17 million tonnes of freight and terminated or delivered 24 million tonnes of freight. Then there was another big chunk, which we haven't identified here, of traffic that actually moves across the province and neither terminates nor originates here. We transported approximately three million Go Transit commuters. We spent more than \$260 million in salaries and approximately \$500 million in general purchases, expenditures and capital investments. We paid \$12.2 million in provincial fuel taxes to Ontario and \$11.9 million in property taxes to municipalities in the province.

But as I said before, we're losing money and our financial problems are most acute in this part of Canada, in the east generally.

The railways are major providers of the province's transportation infrastructure. We are key players in the quality of life in Ontario, in the competitiveness of Ontario's industries and in the province's plans for economic renewal.

As *Renewing Ontario* says: "Our infrastructure...forms the very backbone of our economy. A modern and well-maintained infrastructure is a vital ingredient in any economy's success." The railways have underutilized infrastructure.

As the government contemplates massive outlays which it can ill afford on highway infrastructure, we urge the government to bear in mind the alternatives that are already in place. The railways can help the province save money in the short term and further financial liability in the future. If the railways don't survive, huge additional expenditures on highways will be necessary to replace the lost railway capacity.

The underused rail infrastructure is provided by the railways themselves at no public expense. We finance, build and maintain our rights of way out of our own pockets. No other transportation mode does that.

Excess rail capacity varies by location, but even the CP Rail System line between Detroit and Toronto, a heavily used line and a vital part of our core network, has unused capacity. It's been estimated that we could easily run an extra six trains a day. Those six trains could handle the loads of over 135,000 trucks per year, which at present would be using Highway 401, which runs parallel to our tracks. Upgrades to that line could give us much more capacity if the investment could be justified.

The taxpayers of Ontario do not have to pay to build that right of way as they did have to pay for Highway 401. The taxpayers of Ontario do not have to pay to renew and maintain that line. CP Rail does.

The use of existing rail infrastructure is a good example of the economies available to the government in its struggle with limited funds to renew Ontario's competitiveness and it fits in well with strategies outlined in the Ministry of Finance paper, *Public Investment for Economic Renewal*, issued on February 9 of this year. That paper says that strategic investments are needed "...to ensure that scarce capital dollars are used as effectively as possible for the long-term good of the province."

The potential for making greater use of the existing rail infrastructure is well understood by Ontario's sectoral task force report on transportation. In its report, issued March 30 of last year by the Ontario Round Table of Environment and Economy and the Ministry of the Environment, the task force said:

"The high-energy, petroleum-based, automobile-centred transportation system of Ontario is not sustainable. It exploits non-renewable fossil fuels, creates pollution and wastes and is increasingly failing to fulfil its role of moving people and goods efficiently."

Later on it said, "Building more roads to solve congestion problems may only lead to greater auto dependence,

congestion and higher levels of gasoline consumption"; and then, "The cleanest and most effective ways to move freight over long distances are by ship and by rail."

The research statistics suggested to the task force that if one tonne of freight were switched from truck to rail, there would be an 86% reduction in the amount of energy consumed.

Another very important finding of the task force was:

"The choice of freight modes is governed largely by economics. If shippers had to pay the full costs—including the environmental costs—of transport, and if subsidies to roads were removed, rail would become more economically viable."

This is something that the railways have been saying for a long time, and it is a key point of our brief.

In addition to ownership and maintenance costs, railway rights of way are also subject to property tax, but highways are not. Truckers, against whom we compete, do not have to cover such costs when they set the rates they charge customers, and quite often those customers are the same ones that we're after.

Public transit systems like the TTC pay no property taxes on their rights of way, while Go Transit has to bear its share of the railway's property tax cost. All of this means highway users have an economic advantage over the railways, an advantage that is working to cripple our competitiveness and threaten our viability and an advantage that is provided at taxpayers' expense.

When governments spend money building new highways, they provide the railways' principal competitors with an infrastructure at much lower cost than the infrastructure the railways have to finance, build and maintain, yet the railways have to compete with truckers on service and price. The result is that railways are undermined as a continuing, alternative, competitive choice of transport for Ontario's industries and for people-moving.

Another threat to the railways is Canada's current national transportation policy. The role that railways can play in Ontario's economic renewal presupposes that railways will still be around in future years, and that is not at all certain under the present regime of Canada's National Transportation Act.

1150

CP Rail System made a presentation to the House of Commons standing committee on transportation in Ottawa on February 11. The most important messages we conveyed to them were that:

— The situation of the rail industry in Canada today has striking similarities to what happened in the US north-east 20 years ago. There, under stultifying regulation, the system almost collapsed before the US railroads' poor earnings, mounting debt, deferral of capital improvements and loss of shippers to other modes were recognized by the government and something was done about it. By the mid-1970s, virtually every carrier in the region had filed for protection from its creditors.

— Canada needs to make fundamental changes in the regulation of its rail industry. Three fundamental needs require recognition: first, revenue adequacy; second, a business-oriented tax regime; and third, encouragement of

investment. Harmonization of federal and provincial treatment of the railways is urgently needed.

In 1992, CP Rail System had an operating loss of \$343 million and CN North America a loss of more than \$1 billion.

What are the railways doing to help themselves? That's an important aspect of this. We're not strictly here with our hands out; we are doing a lot to help ourselves, and the brief certainly says a lot more on that than I will today. Modesty prevents it.

CP Rail System has certainly reduced the size of its workforce by about one third during the past eight years, and productivity per employee has increased by about two thirds. We noticed in *Renewing Ontario* there was a lot of concern expressed for the productivity of labour, and we can certainly say that the Canadian railway unions have come an awfully long way.

CP Rail System plans to cease operating east of Sherbrooke. This is a way of reducing the size of our overbuilt infrastructure, and CP Rail System and CN recently announced plans to share a common route through Ontario's Ottawa Valley. In addition, the two railways will jointly review all of their eastern infrastructure to see where they can make similar savings.

But plant rationalization and co-production, like the Ottawa route, with shared facilities are not sufficient to make the railways profitable. Fundamental changes in the Canadian regulatory system are also needed, changes that would allow railways to operate like businesses and to compete on an equal footing with Canadian truckers and US railroads.

The brief also contains quite a bit on innovation such as intermodal and just-in-time movements etc that are very important to our new approach to our markets, and it covers our adoption of total quality principles and improved service.

From what has already been said about the potential railways have for saving Ontario money on infrastructure, about the environmental benefits of the rail mode and the investments made to maintain the rail mode as a viable entity in transportation, we are sure that Ontario does not want to lose the benefit of the rail mode, but the railways need a signal. They need a signal from the province that will demonstrate that Ontario is a good place to invest capital, a good place to continue to do business.

The signal we seek would be in the form of tax relief in two areas: property taxes and fuel taxes. CP Rail System currently pays annual property taxes of \$6 million on our rights of way in Ontario. That's about half of the total \$12-million bill that we pay in property taxes. It is inequitable to subject the rail mode to a tax that the highway mode does not pay, particularly when railways finance, build and maintain their rights of way.

Rail rights of way are sometimes likened to utilities' rights of way. While it's true that utilities such as hydro and pipelines do pay property taxes on their rights of way, these costs are passed on to end users by law. But railways are not utilities. We are businesses operating in a highly competitive commercial environment and, unlike utility companies, competitive realities prevent us from recovering property tax costs.

We propose that property taxes on our rights of way be phased out over a five-year period commencing in 1993. That's on the right-of-way portion only. The \$6 million that CP rail system pays in rights-of-way property taxes would provide only slightly more than a mile of new two-lane highway, if it were to be built, yet if the railways are unable to compete equitably with trucks and US carriers, major highway investments would be needed to handle traffic that's on the railways today. We urge Ontario to show leadership on this issue in the national interest.

Regarding fuel taxes, CP Rail System paid \$11.8 million in locomotive fuel taxes to Ontario in 1992. Highway users pay fuel taxes and claim that fuel taxes help cover the costs of the highways they use. If that is so, the railways pay millions of dollars a year to help support the roadway used by their principal competitors. On the other hand, if fuel taxes are deemed to be general government revenues and aren't dedicated to highway spending needs, then how do commercial trucks contribute towards their share of highway costs?

From the environmental viewpoint, it just does not make sense to penalize the more energy-efficient, self-sustaining mode of transport—rail. The federal Royal Commission on National Passenger Transportation said in its recent report, "Rail freight transport is at least three times as energy-efficient as highway freight transport." We ask that provincial fuel taxes on locomotive fuel be phased out at the rate of one cent per litre per year beginning with the 1993 budget.

To conclude, CP Rail System is encouraged by the insights shown in Ontario's pre-budget planning documents and other recent position papers mentioned earlier, but there has been in Canada a plethora of commissions, committees, studies, policies and position papers all supporting the rail mode or envisioning a world in which railways at least are treated equitably with other transport modes. But so far, it's been all talk and no action. In fact, our situation is now worse, in a public policy environment that includes the current National Transportation Act, the Ontario Ministry of Revenue decision on rail rights of way property taxes in 1990, threatened new municipal property taxes on the horizon, extended vehicle weights and dimensions being allowed on highways, and the list goes on.

We have choices to make about our future investment and we look to the Ontario government, in its next budget, to give us that signal that we do have positive prospects in Ontario as we plan our business strategy in North America. We not only want Ontario to help the railways help Ontario; we also hope Ontario will show national leadership in working with the federal government on changes to and harmonization of regulations governing and impacting on railways, changes that the rail industry urgently needs.

We are sure that no one wants eastern Canada to repeat the experience of the US northeast 20 years ago. We urge Ontario to take action, to take the lead among all provinces of Canada to help sustain the choice of economically self-supporting and environmentally responsible transportation alternatives, and to help remove distortions in the province's transportation infrastructure. If the provinces of Canada and the federal government can work together to

make a few straightforward changes in the regulation of the rail industry, then we are sure the railways will survive. We'll be able to assist in Ontario's economic renewal and we'll be around for a long time to help people and industries of Ontario realize their economic and social goals.

Thank you for your attention. Once more, we do urge you to review our detailed brief if you have time, and we welcome your questions.

The Chair: Mr Kwinter, two minutes. That will take us to five after 12.

Mr Kwinter: While you were speaking, I read ahead, and I read through the whole brief and found it really interesting.

Could you comment on some discussions that are taking place that maybe we should rationalize the two major railways in Canada and get the economies of scale, and that might resolve some of your problems?

1200

Mr Mackie: Perhaps I could address that. There is a task force set up right now comprising CN and CP senior people who are looking at all of eastern Canada to see whether there are some ways that we can extract ourselves from our negative financial position in the east.

Basically, they're looking at everything from more of the same, in terms of an Ottawa Valley type of coproduction, right through to a potential total merger of the two rail systems.

We're not sure whether the answers are going to be found in that approach, but I guess we feel our position is so desperate that we need to be looking at something like that.

Full merger would end up with obviously one rail system in the east. You would likely end up with about half the railway capacity that you have today. That's sort of prejudging a little bit what the study is to look at. Work is going on and we're hoping to have some preliminary results around midyear this year.

Mr Norman W. Sterling (Carleton): I'd like to ask two questions. Number one, reading the Globe and Mail this morning in the Report on Transportation relating to the president of CN, Mr Tellier, he talks about his problem with unionized employees—14 unions, average wage \$44,000. The wage structure is far too high, he said. I assume the same is true of CP Rail. What are the unions giving in terms of trying to keep you afloat?

Number two, I'd like to ask the opposite question to Mr Kwinter and that is, is there any move on the part of both CN and CP to allow competition on your roadbeds?

Mr Mackie: The first question pertaining to the labour: I guess our agreements, although not identical, are pretty much the same as Canadian National's. What are the unions doing? We have very significant downsizings taking place. For example, we reached agreement with our running trades union to go to a two-man crewing arrangement, which alone will result in reductions of about 1,500 or 1,600 people in CP Rail. We're looking at major changes in terms of how we maintain our track, those sorts of things, so we are seeing a very significant reduction in the number of employees. This, I might add, does go through management ranks as well as unionized ranks.

In terms of the rate of pay, although the rate is high—I guess it's a relative thing—if we have the productivity, we can afford to pay the rate. I guess the problem we have is that we just don't have the density on a rail system, so the productivity per man-hour is not nearly as great as it is in the US, and that is what we have to work up. If we can get the productivity up per man-hour, then I think we're going to be fine, but we've got a long way to go vis-à-vis the US, which is what we benchmark ourselves against.

The Chair: Mr Wiseman.

Mr Sterling: I think he was going to answer the second part of the question.

The Chair: Okay, I'm sorry.

Mr Mackie: The second question was other people using the railways, the lines, basically.

Mr Sterling: Yes.

Mr Mackie: We do have agreements with other railways. We obviously have passenger trains, commuter trains, and we look to expand that sort of business. If you are going as far as letting other people run over the tracks, then you're into a whole different area in terms of how you manage that and how you pay for the tracks. One of our biggest single problems is in fact the ownership and maintenance of the roadbed. That's where we have difficulty in terms of justifying the capital and the high maintenance costs. It's a very large part of our expense and a large part of our inability to compete with highways, for example, which are provided by the government.

I'm not sure that would help us very much. Quite honestly, we're open to any ideas to try and make this thing work.

Mr Wiseman: A couple of really quick questions.

The Chair: One quick question.

Mr Wiseman: It's all one question. How successful has the TNT been, and if we were to move on the property tax, which is \$6 million, and the fuel tax, which is \$11.8 million, how would this translate into costs for tickets on the GO train?

Mr Mackie: That's one question, right?

Mr Wiseman: You can answer it all in one.

Mr Mackie: With respect to TNT, I guess Mr Wiseman is aware of some things that perhaps the rest aren't. TNT is a line of business we operate. TNT is a trucker that moves auto parts over the bridge into Windsor and then on into Oshawa. We handle that business from Windsor into Oshawa by rail. We've been doing so since May of 1991, and it's been moving very well. I guess the fact of the matter is it's been moving so well that we're doubling the business. We're going to start handling twice the amount of business with TNT starting next month and begin handling Ford business as well.

I guess what we tried to prove through this is that we are a viable option to trucks. We can run on time all the time, and we certainly can be competitive with the trucking industry. That's along that same 401 corridor that we referred to earlier.

On the price of the GO tickets, I guess it's the reverse you'll probably have: If taxes go up, GO tickets will go up.

With the financial situation we have right now, we're not going to be able to pass too much of this on because we really have a situation where we don't have the financial capability even to manage the investment that we need in the future to keep the track up and to expand in areas like the TNTs and intermodal. We're trying to bring ourselves back from a negative position, so anything that we're asking for now is trying to get us back to a level of profitability at the moment. However, once we can do that and put more investment in and expand the business, and the more

business that goes on the line, the lower the per-unit cost. That will get reflected back through GO because the GO agreement is on the basis of train miles, and the more trains that are on the line, the lower the percentage cost the GO system would end up paying.

The Chair: Okay, gentlemen. I'd like to thank you for your presentation before the committee.

This committee is recessed until 2 pm sharp.

The committee recessed at 1206.

AFTERNOON SITTING

The committee resumed at 1401.

CANADIAN MENTAL HEALTH ASSOCIATION,
ONTARIO DIVISION

The Chair: We'll resume pre-budget consultations in the standing committee on finance and economic affairs. The next group we're going to hear from is the Canadian Mental Health Association. Will you come forward, please? I'd like to welcome you to the standing committee. We have half an hour, from 2 to 2:30. Could you, after presenting your brief, leave some time for the members of the committee to ask questions? For the purposes of Hansard, please identify yourselves, and then begin.

Mr Glenn R. Thompson: My name's Glenn Thompson. I'm the executive director of the Canadian Mental Health Association's Ontario division office. With me is Carol Roup; perhaps she can introduce herself.

Ms Carol Roup: I'm Carol Roup, the senior director of policy, research and branch services for the Canadian Mental Health Association, Ontario division.

Mr Thompson: We're very grateful for the opportunity to appear before the standing committee on finance and economic affairs. It's vitally important that mental health matters both come to the attention of your committee and be taken into account in the Treasurer's work towards the budget.

Just a word or two about the association—Carol Roup and I are going to divide this presentation in two—and about the submission we made to the Treasurer in one of his pre-budget consultation meetings recently.

Our association, the Ontario division, is an incorporated, registered, non-profit, charitable organization chartered in 1952. We have over 4,000 volunteers who are active in direct board and committee service in a network of 36 branches located in communities across Ontario. Ontario division and branch services and programs are funded through the provincial government, grants from the local United Way and supplementary fund-raising activities that we conduct on our own.

On January 19, I had the opportunity, along with others, to meet with the Treasurer and to make a pre-budget consultation submission. A copy of that submission is attached to the document that you've received as appendix A. In the event that you may not have had time to see that submission in any other way, I'd like to draw your attention to the assumptions we made in taking that submission and its recommendations forward to the Treasurer.

We assume that the economy will continue to experience a very gradual improvement and that the long-term impact on our economy over time will be substantial. Ontario will experience a continuing high unemployment rate, probably of 10% or 11%, for quite some time, and that will cause persistently high demands being placed on public assistance and human services provided by both government and the non-profit sector.

We assume as well that stability in housing, employment, training programs and income are fundamental platforms

from which to build programs and services from which people in need can benefit.

While dramatically increasing corporate taxes—this is another of our assumptions—might be used to reduce the provincial deficit, that strategy is very likely to increase the number of individuals placed in a government-dependent kind of situation.

The difficult adjustments resulting from the free trade agreement with the United States are likely to continue in Ontario in the short term, in much the same way that Europe and other jurisdictions are feeling the impact of similar trading agreements that are becoming common across the western world.

The federal government is likely to further constrain transfer payments to Ontario in the period prior to the next federal election, and the flow of funds may not necessarily reflect provincial priorities as this government would see them.

Further significant economies could be achieved through increased efficiency and effectiveness of the public service in areas of operation, regulation and coordination of efforts with the private and the non-profit sector.

The recommendations in our presentation to the Treasurer on February 19 are broad in scope and focus on a number of very important issues. I'd like to use this opportunity briefly to highlight our recommendations for you.

First, we suggested the essential importance of maintaining planned programs in social housing and social assistance, as well as training and retraining which are designed to facilitate entry or re-entry into the workforce.

We recommended that the cost-saving potential of strengthening the non-profit community sector and reducing dependency upon high-cost institutional care be undertaken.

We proposed the need to develop appropriate accountability systems, both in institutional settings and certainly in the community settings.

We recommended the value in utilizing what I believe to be an immense and ready volunteer capacity as an investment in our communities.

We recommended the need for collaboration between industry, labour and non-profit organizations along with government.

We recommended the tremendous need for preventive work with children at the earliest possible stage in their development and with their families, and later preventive work to reduce the stresses in the workplace, both of which could result in a significant decrease in the use of our health care system.

The final recommendation: The need, particularly in the mental health area, to centralize management at the provincial, at the regional and at the local levels in order to empower individual communities to plan locally sensitive programs and services.

Carol Roup is going to continue from that point in our presentation.

Ms Roup: I'd like to take the opportunity now to focus more directly on the mental health system and high-light areas that we believe would be essential for the Treasurer to consider when developing the forthcoming provincial budget.

Since January 1992, when the Minister of Health announced the government's policy directions in health care, we've taken the opportunity on several occasions to applaud these directions, especially in the area of mental health reform. We strongly believe that if these directions are pursued with sufficient vigour, this province can ensure that the mental health dollar is expended in a much more cost-efficient and effective manner for persons in need. It is more than a year since the minister's announcement, and along with others involved in the mental health field, we are eagerly awaiting an announcement of a multi-year implementation plan for mental health reform.

We are very anxious about the 75,000 Ontarians who have a serious mental illness and the 1.5 million Ontarians who seek mental health care each year. We are also very concerned about their families. We are particularly concerned about the continuing high rate of hospitalization in this province while we have significant gaps in service and lengthy waiting lists for community mental health services. These are issues that need to be seriously considered within the context of a provincial budget if this government intends to implement its policy directions and embark upon a planned but aggressive mental health reform strategy.

1410

Furthermore, the following financial statistics need to be digested. They're not absolutely current because the data are not readily available, but they do indicate a trend that continues.

As a percentage of overall government spending, direct spending on mental health declined from 1.54% in 1985-86 to 1.52% in 1989-90. As a percentage of health spending, direct spending on mental health declined from 7.71% in 1979-80 to 4.59% in 1989-90 despite major increases in community mental health funding.

We acknowledge that there has been an increase of 162% in community mental health spending since 1985, but spending on community health programs accounts for less than one cent in the health care dollar. Community mental health spending remains a very small percentage of overall mental health spending, approximately 10%.

These figures need to be viewed in relation to the data from a recent snapshot survey formally submitted to the Ministry of Health on February 19. This snapshot survey indicates that 34,000 active registered clients are being served by community mental health programs on the survey date; that over 50% of housing, social rehabilitation, vocational and case management programs have waiting lists of three months or more; and that 49% of programs have a majority of their clients comparable with populations of provincial psychiatric hospitals.

We are all very aware of the extent to which the provincial deficit and the overall fiscal situation in Ontario have restrained the mental health reform process. We believe that a serious beginning to this process must nevertheless

be taken. We are particularly concerned that, while budget constraints and cutbacks within the hospital sector have taken place over the last year and more serious retrenchments are currently being considered, the government's commitment to reallocating these resources to building up community alternatives is not yet being fulfilled. In this regard, we noted in the Ontario Fiscal Outlook distributed by the Treasurer in November 1992 that the average increase of 11% in health spending is expected to drop to 1.6% this coming year. It would appear from that that despite the policy commitment to community services, cost avoidance within the institutional sector may be lost from the mental health system altogether.

We are extremely concerned that as further cutbacks occur within the hospital sector, far greater numbers of people will be seeking assistance from community services. We know that members of the standing committee will be aware of the deinstitutionalization predicament that has been ongoing in this province for two decades. There's a very real possibility, we believe, that the situation will reach crisis proportions unless a concerted reallocation strategy is embarked upon immediately and those community services are in place to receive people as cutbacks occur in hospitals.

Many of these points have been made to the Ministry of Health over the past several months. We've attached to this submission a letter submitted to the Minister of Health from our president, Janet Paddison, on December 18, 1992. We would urge the Treasurer to seek the advice of the Ministry of Health with respect to work being done in other jurisdictions. Although Ontario will certainly need to develop a community-based system according to the unique needs of the people of this province, there's much to be gained by the experience and insights of others.

At the pre-budget consultation of 1992-93, we drew the Treasurer's attention to the work of the funding strategy work group of the Graham implementation strategy subcommittee, which drew heavily on the experience of other jurisdictions in estimating an approximate average cost of \$20,000 per annum to support a seriously mentally ill individual in the community. This figure needs to be contrasted with the cost of approximately \$100,000 to care for the same individual in a psychiatric hospital.

A long-term fiscal plan along the lines suggested by the funding strategy work group would estimate how current spending patterns would play out in a decade or more, set new targets based on the cost and benefit of programs and services to individuals most in need, calculate the amount of resources which will need to be shifted and the pace with which they can feasibly be shifted, estimate bridge funding which will be required during the period of transition and then assertively move towards an established and supported goal.

In no way do we wish to oversimplify an extremely complex undertaking. However, variations of this simple fiscal formula have been applied in various jurisdictions both in Canada—for example, New Brunswick and British Columbia—and in the United States; there are many examples there but some of them are Ohio, Vermont, Wisconsin and Tennessee.

I think the one thing about which there is general agreement is the need to make changes in our mental health care delivery system. There's also a fair degree of consensus that despite jurisdictional differences, there are a number of critical success factors in mental health reform.

A recent study undertaken by the Clarke Institute consulting group focuses on the experience of other jurisdictions, in particular Ohio, and discusses these success factors in relation to developments in Ontario. This document divides the success factors into three major categories: initiating change, implementing change and the process of mental health reform itself. We would urge you to review this document, as it clearly confirms and strengthens what the Canadian Mental Health Association and other groups have suggested for future planning of the mental health system in Ontario.

In contrast to those jurisdictions that are most commonly cited as having successfully shifted the bulk of their resources from institutional to community care, Ontario currently spends 10% of its mental health dollar on community-based services. Psychiatric hospital spending alone accounts for 50% of direct spending on mental health, and OHIP spending on mental health services has more than doubled its share of mental health spending in the past 10 years.

We very much hope that the provincial budget will facilitate a serious effort to provide Ontarians with the appropriate spectrum of mental health services.

Mr Sterling: I'd like to thank you for coming down. Particularly, it's nice to see Glenn Thompson here again. Glenn, just as a bit of background for some of the members who wouldn't know you, you've been deputy minister of a whole host of ministries. Do you want to just tell us? Comsoc was one.

Mr Thompson: No, I wasn't actually in Comsoc, Mr Sterling, but it seems like a lot of others. I progressively went through the ministries of Correctional Services, Energy, Government Services, Municipal Affairs, Labour and then Housing. I left the Housing ministry about a year and a half ago. But my longest period of time in those 31 years was in Correctional Services, where I spent about 20 years, having started out there as a social worker. It seems like a long time ago.

Mr Sterling: I'm glad to see you here again with the Canadian Mental Health Association.

As you know, I've had a fair bit of involvement with the advocacy and the change of our laws dealing with consent to treatment. I guess I was most shocked during those hearings dealing with schizophrenic patients, in that although they represent probably less than 1% of our population, they take up about 8% or 9% of our health care budget and they are occupying half of the psychiatric beds in the hospitals. It just seems to me that in this whole area of care, we've got our priorities so mixed up that it doesn't make any sense at all.

As I understand it, and maybe you can clarify this for me, we're going to spend \$25 million to \$30 million setting up an advocacy commission; it's going to cost \$25 million or \$30 million to run it; and we spend about \$1.5

million a year on research in schizophrenia in Canada. It just doesn't seem to me that there's any logic or sense behind how we've divided up the pie. Are those figures about right?

Mr Thompson: So far as I'm aware, but Carol Roup may have better figures on the research side across Canada. I'll ask her to speak on that in a moment.

If I can just speak to your contrast of the cost of an advocacy commission set against the cost of research, for example, I guess we would say that the disposition of funds in this field is certainly inappropriate indeed and much, much more, as in those US jurisdictions that Carol mentioned—the US, where 80% of the mental health dollar is spent in the community, would get a more cost-effective result and probably thereby leave money for good advocacy, good research and a variety of other necessary kinds of programming.

In the correctional services system in Canada, and in the US to an even greater extent, we're dramatically different than many states in Europe, where people are not nearly so inclined to incarcerate people or institutionalize them, as you know well from your work in the justice field, Mr Sterling. That's been our habit in the health field as well, to think "institution" first when we say the person is ill. I think in my growing-up days, that meant definitely they needed to be in an institution. I think we've learned that doesn't need to be the case. Indeed, there's a great benefit for the person to remain in his community when he can, and obviously many people can.

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Mr Wiseman: I'd like to pursue that thought for a moment. My understanding is that we're trying to put into place some mechanism which would keep people living in the community. My question has to do with the expansion of the Whitby psychiatric facility in Whitby and the amount of money that's going to be spent there. Can you shed some light on how much is needed and what alternatives might be more cost-effective, other than the ones you're already done?

Mr Thompson: Let me answer by saying that in the state of Tennessee—I don't think of Tennessee first when I think of modernistic kinds of programs; they have a much smaller population than Canada's, of course—they had five psychiatric hospital institutions and they did an analysis of the long-term cost benefits of doing the job differently. In a fairly short period of time, they eliminated three of the institutions, rebuilt the two they decided to keep and began to dispose of the very major proportion of their mental health dollar in the community.

I guess that's a roundabout way of saying that, in our opinion, all of the institutional space that is existing in Ontario in the psychiatric hospitals probably wouldn't be needed, for sure, if we had 80% of our dollar being spent in the community.

Mr Wiseman: I read on a very frequent basis that there are a lot of mentally ill people who are living in the streets, who have been deinstitutionalized without the support systems. Just lately, President Clinton has indicated that just outside the White House you can find people who

have been deinstitutionalized with no support systems. If they're doing that in the United States, if Tennessee has done it, how did they avoid this kind of backup on to the streets of people who need help?

Mr Thompson: In the best places—they have the best and the worst there, I would suggest, in terms of examples, good and bad—they have excellent community support programs that are designed to use institutions as a last resort—I don't mean this negatively—so that people have to be dealt with in the community before eventually some of them, obviously, will need institutional care. In the best places, they've got good support systems out in the community.

It doesn't mean that some people aren't going to fall through the cracks of virtually any system. I think it's almost impossible to find a system, especially for people who are mentally disordered, where they're going to find the system attractive to them. By the nature of some mental disorders, people are very suspicious, very untrusting, very difficult to relate to. So the nature of the illness makes the care system hard to apply.

Mr Tony Ruprecht (Parkdale): You're making a pretty good case that when increases are being dropped to 1.6%, as you say, it's obvious that's a great concern to us. What perturbs me is what you say on page 5. You indicate there's a real possibility that the situation will reach crisis proportions. We all know what happens with deinstitutionalized care when the service is simply not provided once people leave institutions. In Parkdale we all know what happens. If anyone wants to know the gory details of what precisely takes place when services break down, all they have to do is go down Queen Street and see. Come down to my riding and we'll show you.

I can remember when I was minister responsible for disabled persons, in the last five months it was thrust on me that I was suddenly responsible for the group home policy. I didn't know my department was responsible for it, but I suddenly found out there were some people in the ministry who were working on that. I remember that this interministerial committee made a recommendation that more funds must be allocated in the service sector, meaning services after deinstitutionalization.

So I'm wondering, do you recall what happened in terms of moneys being provided for the services, deinstitutionalized care, and second, when you say "crisis," what do you foresee here?

Mr Thompson: Let me comment on the crisis part, and then Carol probably is the better historian in terms of group homes and might relate those both to the services of the Community and Social Services ministry as well as the Health ministry.

Certainly, it isn't difficult to see matters reaching crisis proportions in this city area as a whole variety of our services try to cope with tremendous numbers of people who've arrived in this country and who, in my opinion anyway, don't receive the kind of support and assistance they should receive upon arrival. Then they get into difficulties, and some of those will be mental health difficulties. Then they become a burden on a system in a much more expensive way than if

one were helpful to them in the first place. I think you can see a sort of spinning cycle.

My own personal view is that we need more people coming to Canada from other parts of the world, not the opposite, but I think we have to provide adequate kinds of assistance for them, depending on the capabilities they bring along with them. If we do that, then we're far less likely to be picking up the pieces down the line. If we don't, then I think the crisis cycle begins.

Ms Roup: With respect to the group homes, those community supports, in particular in housing, were never, ever adequate. As hospitals were cut back and people were deinstitutionalized into the community, group homes were being set up and they were being promoted, but it was nowhere near adequate.

I think there was also a misunderstanding that once you placed someone in a group home, you had done your job, whereas what was really needed was a whole range of community supports. Simply placing a house over someone's head was inadequate. It wasn't sufficient in quantity or in quality.

I guess at the time too, because it wasn't accompanied by an adequate public education process, those group homes received enormous opposition. Many neighbourhoods fought tooth and nail not to have them. Municipalities had bylaws that permitted them to refuse to have group homes. It was really quite a huge undertaking to get group homes established. I think a lot of energy was expended in trying to educate local communities towards their responsibility in terms of different kinds of settings for people with psychiatric difficulty, and I don't think as many group homes as people envisaged actually went up.

Of course, there's a move now away from group homes and towards supportive housing settings, where you would have someone in regular housing but supported by a range of services. I guess the emphasis on the service system is changing. That appears to be one of the key success factors in other jurisdictions, that the thinking has to move away from a service sector and more directly into client satisfaction and quality-of-life indicators for people in need, so that we stop pouring money back into a system and we start focusing very directly on those things that enhance people's quality of life and permit them to integrate into a real community.

The Chair: I'd like to thank you for coming before the committee today.

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ASSOCIATION OF ONTARIO PHYSICIANS AND DENTISTS IN PUBLIC SERVICE

The Chair: The next group to come before the pre-budget consultations is the Association of Ontario Physicians and Dentists in Public Service. Would you come forward, please. Are there enough chairs there for everyone? Do you have overheads? Okay.

I'd like to welcome you to the standing committee of finance and economic affairs. We have until 3 o'clock. After your presentation, if you could leave some time for questions from the committee. For the purposes of Hansard,

if you don't mind identifying yourselves, and after that you may begin.

Dr Janush Duzshta: Good afternoon. Thank you for the opportunity to be here. My name is Janush Duzshta and I am the president of the Association of Ontario Physicians and Dentists in Public Service. With me are doctors Deadman, Casson, Baldock and Rabheru. Also present are Deborah Eklove and Neil Byrne, our consultant.

The Chair: I always get confused about who's—

Dr Duzshta: Do you want me to go over again who is whom?

The Chair: No, that's not it. But if I want to get my toe operated on or a tooth repaired, how can I tell the difference?

Dr Duzshta: I am a psychiatrist. Almost everyone here is a psychiatrist, except for Dr Byrne and Deborah.

We are here to make a presentation against the budget cuts and we want to tell the committee how unfair to the poorest mentally ill population of Ontario is the proposed \$45-million cut of the budget of 10 provincial psychiatric hospitals. The psychiatrists in this deputation work in the Queen Street Mental Health Centre and the Hamilton, St Thomas, Kingston and London psychiatric hospitals. John Deadman and myself and Dr Rabheru will lead off the presentations and others will answer the questions.

The association represents 440 physicians and dentists employed by the ministries of Health, Comsoc and Labour. The majority of our members are employed by 10 provincial psychiatric hospitals. We are medically responsible for 11,000 patients.

There are enormous differences between our patients and the patients seen in psychiatric units in general hospitals or in ambulatory private practice psychiatry. Our patients are poor, more often than not single, unemployed or unemployable, suffering from grievous acute and chronic mental illness and often repeatedly dangerous to themselves or to others. When the patient populations of general hospital units are compared with our units it is clear also that we have more involuntary and forensic patients, patients on court orders and admissions involving police.

As an example of how poor our patients are, I want to tell you that in the Queen Street Mental Health Centre over 80% of discharged patients live in poverty and rely on government pensions and charity to support themselves outside of the hospital. A similar picture is evident among our outpatients: 72% were dependent on some form of government assistance. Only 8.2% were actually employed.

When cuts are made in the provincial facilities, budget cuts will be made in the services to those who need them and can least afford them on their own. The cuts are not directed at the psychiatrists; they're directed at the patients.

The proposed \$45-million budget cut is based on the proposition that the displaced patients can be taken care of in the community. It is hypocritical to dress the budget cuts as a move to the community, which is neither ready nor able to help the most severely ill segment of our population. As it is dismantling the integrated provincial psychiatric system the government is also putting into jeopardy its

much-vaunted community psychiatry policy as articulated in the Graham report.

The concept of treating the mentally ill individual in the community where she or he lives is a concept that the association and its members support. The rush to dismantle the psychiatric hospitals' needed and essential asylum without creating alternative, well-sought-out and integrated community-based services is to commit the same mistake that was committed in Italy, England and the USA. We are not freeing the patient from the mental hospital but condemning him or her to poverty, degradation and homelessness.

Three of us will be doing the presentation, so in summary, let me just tell you that point that I want to make.

The doctors see a proposed cut of \$45 million from the psychiatric hospitals as a panic response to budgetary pressures. If implemented, it represents (1) a failure to make tough decisions by the government selecting one of its most vulnerable parts for major cutting; (2) a contradiction to the Ministry of Health's espoused policy of mental health care reform, which is to move psychiatric care from institutions to communities; (3) a poorly timed decision with respect to its consequences on patients and their families, especially in view of the province's high unemployment rate and depressed economy; (4) a selectively punitive act towards the base of care providers to mentally ill people, and particularly unfair by targeting St Thomas, London and Brockville-Kingston for a 17% cut each; (5) an indication of management chaos at the Ministry of Health in which no unitary funding strategy or implementable long-range plan has emerged; and (6) a decision resulting in an increase of homeless people, poorer psychiatric services and more unnecessary human deprivation.

Dr Deadman will speak next. Dr Deadman is a past president of the association and also the president of the Ontario Psychiatric Association.

Dr John Deadman: Thank you, Janush. Just by way of correction, I'm actually past president of the Ontario Psychiatric Association, but that was not too long ago.

By coincidence, both Janush and I graduated in the same class from the University of Toronto. We qualified in psychiatry in 1963. That's almost 30 years ago. During most of those 30 years, we've witnessed continuous restraints and, more recently, cutbacks in the system and the many changes that they have produced.

The differences are demonstrated for me in a recent newspaper clipping which I took from the Hamilton Spectator. I'm in Hamilton now. It's entitled, "Resident's Death Was Avoidable, Court Told." This clipping describes a resident in a boarding home who was both suicidal and aggressive, and in a scuffle another resident was pushed off a fire escape and subsequently died of head injuries in hospital some months later. By another coincidence, I was the psychiatrist called in some two weeks before this unfortunate incident to do a consultation on this particular resident, who was at that time considered suicidal.

Twenty years ago, if someone was aggressive and suicidal, we just admitted them to hospital and sorted this out after the fact. Many of these people were very serious safety risks who met the criteria under the Mental Health Act and required certification into hospital. But in the last

15 years, I'd say, we have encountered increasing shortages of facilities of all types, all types of resources, not just beds. So we are now in the position, as consulting psychiatrists, where we have to decide whether a patient is really suicidal or just slightly suicidal. We have to make those decisions because whether or not they get a bed will often be determined by that outcome.

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I have to tell you from long experience, this is strictly a judgement call. There are no objective or accurate criteria for this decision and it's based on not only experience but just a kind of impression, if you like, a gut feeling, as to whether or not this patient is seriously suicidal. This is not good science, good psychiatry or, from my point of view, good care, yet this is the situation we face in our work every day.

I'm not suggesting that the answer is more beds. There are many alternatives to hospitalization and some of these I'm sure have been presented to you in other discussions on this agenda. But these people do need something. They need more attention than they're getting now. We don't know if we've struck the right balance between beds and other kinds of services, including community services, but we do know that cutting beds without providing anything else has already provided examples of serious problems in the system and has a heavy social and financial cost, if not today, certainly down the road.

We recognize that society doesn't want to pay that cost right now. Janush has mentioned the state of the economy and we well recognize that. But the size of the cuts which have been proposed for the provincial psychiatric hospitals are quite disproportionate to the size of cuts proposed elsewhere in health care. Out of a total budget of approximately \$460 million, \$45 million works out by my books to about 10% of the total budget. This is really quite a real cut. Now, these numbers, we're really having a hard time finding out exactly what the ministry has in mind. I may come to that in a minute, but that's the number we have been hearing. We're having a really hard time fixing on whether that's the actual number or not.

If that money were being transferred to community services and therefore we're still providing services to these people who we're concerned about, I think we could understand this. We certainly might not have gone to the trouble of coming here today to make this presentation. But as we understand it, and again we have rather anecdotal information to go on, the money would be lifted right out of the mental health budget. As far as we're concerned, this is totally disproportionate. It would pose intolerable strains on the system, so that we could only anticipate more incidents of the type I referred to and was referred to in this newspaper clipping.

I'd like to briefly refer you to the *Globe and Mail* last Saturday, and again, I found this very interesting reading. I hope people did see this. It was in the Focus section on Saturday. According to Jock Ferguson, there are large numbers of homeless people who seem to have been abandoned by the system, and the system is more than just the mental health system. I have to emphasize that. We certainly have firsthand experience with this, however, in the

mental health system, because a large majority of these people do suffer from various forms of mental illness.

We've been trying for almost six months to have some talks and to get a meeting with ministry officials within our own ministry—that is, within the Ministry of Health—to discuss our concerns. We have not been able to arrange a meeting to date. So we really very much want to thank you for the opportunity to present this material to this committee.

I'd now like to introduce Dr Rita Rabheru, who is from London Psychiatric Hospital. Rita?

Dr Rita Rabheru: Thanks, Dr Deadman. I'm going to use the overheads now.

The Acting Chair (Mr Paul R. Johnson): Excuse me, are you going to be speaking, Doctor, as you do this?

Dr Rabheru: Very little.

The Acting Chair: Just to explain to you, apparently the noise is coming through that mike from the overhead projector, so that makes it somewhat difficult for Hansard to pick you up accurately.

Dr Rabheru: Okay, I'll use this—

Mr Carr: Maybe they could switch seats.

The Acting Chair: Sure. If Ms Eklove could maybe do the slides and you could speak into that other mike, it'd make things a lot easier for us.

Dr Rabheru: Sure. I'll have very little to say because I want you basically to read that and this is just to summarize our position. I want to demonstrate these important points to you with respect to budget cuts. Details of this are in our booklet that we've given you.

With regard to consultation and morale regarding the budget cut, you see that appropriate consultation with the principal stakeholders regarding the budget cut had not occurred, and of course this affected the morale of the professionals in the health care system.

Finally, we think there's a vacuum in leadership. The psychiatric hospitals should assume a leadership role in mental health care reform by developing and implementing community-based strategies in coordination with each other and the Ministry of Health. We'd like the association to be able to play an integral role in budgets, strategic planning and implementation on decisions regarding the mental health care reform. Again, as I've said, you've got the details in our booklets.

That's all I have for now, and I'd like you to address any questions to the panel.

The Chair: Thank you. Mr Johnson.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I didn't catch the very beginning of your presentation. However, we're always concerned as taxpayers and certainly as people residing in the province of Ontario about exactly what value we can put on our health care. We know there's a certain cost to attribute to good health care, and what we're trying to find is a balance. We know that the costs for health care have escalated to double digits for many years, and we've reached the point where we don't think we can afford to allow that to continue.

Given that you're concerned somewhat with regard to the direction the ministry has taken in order to reduce the

growth and expenditures in that ministry, I was wondering if you could give me some specifics, whether it happens to be your particular area of medicine or other areas of health where the ministry might be more efficient.

Dr Deadman: This is something we've certainly been very concerned about, because it's really a question of whose ox is gored. I really don't think I can answer your question, for that reason. What I want to say, though, is that we think a 10% cut is quite disproportionate to the 1% cut that's been occurring in most other areas of health care. If that's the decision, that there will be a 1% or 2% or even 3% cut across the board, we could live with that. We wouldn't like it, we would be most upset about it, but we would have to live with it because nobody could argue that wasn't fair.

But I think what's happened, and this is something that really does concern us, is that because the facilities in which we work are operated by the government, this tends to be the easy way out for bureaucrats having to come up with big cuts: Cut our own services first without regard to what impact that will have on the overall system before we go after somebody who's got perhaps more political clout or perhaps can make a bigger fuss in the newspapers. I'm giving you that strictly as my impression, but I have to say that I am not alone. Many of us who work in the system have that same impression.

Dr Duksza: One thing I would like to add is that the ministry controls a number of aspects of the health budget, but one it has probably the greatest difficulty in controlling or doing anything about is OHIP. So we are moving towards cutting something the government and the ministry control completely. That may be one of our major objections to it, to think that they can do it when it happens to be the most needy population.

The Chair: Mr Ruprecht.

Mr Ruprecht: I'd like to ask you two questions and make two points. First, I really find it incredible that this Association of Ontario Physicians and Dentists in Public Service had tried to get a meeting with the minister or with the minister's office for over six months and was unable to do so. I thought there would be more sensitivity shown, especially in light of the fact that there was a move to cut fairly drastically, as we just heard.

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My second point is the comment that was made by Dr Duksza. He said that deinstitutionalizing psychiatric hospitals would have unacceptable consequences. Mr Johnson made the point that the recommendations your association would be making—as you said, somebody's ox is being gored. Whose ox is it going to be?

I think you've made a good point, that what you really seek here is to participate in the budgetary process of how mental health care is being administered and where the cuts are to be made. I think it's admirable that you came up with that recommendation.

Mr Johnson's question, which I liked as well, was, what recommendations would you then make? I think that is a good question, inasmuch as it directs it to you and becomes more specific; in other words, when you're being

asked where you could cut, it would be good to know that you have specific recommendations in mind. But I know that is going to be a very difficult task on your part.

In closing, I simply want to congratulate you on trying to get a meeting and, second, on spending your time in cooperation with the ministry to work out a way so that the mental health field is not only represented but that some cooperation and coordination with you would be appreciated. I recommend to the ministry and to the Treasurer that this association be taken into account when these measures are on the final chopping block.

Dr Duksza: Can someone respond to that?

The Chair: I thought he was making statements. I didn't hear a question, but if you want to comment, please do.

Dr Sharon Casson: I will comment on the question about what measures we would advocate in terms of budget. I'm from St Thomas Psychiatric, and I participated in the budget-cutting scenario we ran. In fact, we had a number of suggestions that if the \$45 million has to go, why does it have to go out of the ministry altogether? Why couldn't that \$45 million be used for transitional funding? There are patients we all have who, given certain conditions—adequate housing, adequate follow-up and social supports—could live in the community. But if you're going to cut without putting these supports in place, then this cannot happen.

Our recommendation would be that all the psychiatric hospitals have expertise and could evolve plans to deinstitutionalize themselves, in coordination with existing services in the community and in coordination with services that would need to be created to handle the patients who would be leaving.

We want to be stakeholders or players, and we would like very much for the government to allow us to suggest how these cuts should be made and how they could be done appropriately, because as front-line staff, we're the ones who know what these patients can tolerate and what conditions they are unable to tolerate.

Mr Sterling: I find it strange that they wouldn't give Dr Duksza an audience, as he sat as a member of the NDP from 1977 to 1981.

Dr Duksza: How nice to be remembered.

Mr Sterling: I'm the only one here who's survived that long, doctor.

Mr Ruprecht: I remember it too, from when I took his job.

Mr Sterling: At any rate, I was relating to you earlier that last year I was involved with the whole Advocacy Commission and the revisiting of the whole mental competency treatment question. I spent a good deal of my year listening to evidence, listening to NDP people talk about it etc. Quite frankly, I came to the conclusion at the end of it that the NDP government doesn't really trust you, doesn't really trust the psychiatric hospitals and what they're doing; it doesn't believe in the treatment you're giving patients. That's the conclusion I came to. They would argue that that's not true or whatever, but if you listen to the evidence and the resources they're giving the Advocacy

Commission basically to fight the system, I don't think it's an unreasonable conclusion.

Notwithstanding that, I'd like to talk about allocation of resources. What I'd like to see is some kind of tracking system of these individuals who are discharged from a psychiatric institution, a regional centre or whatever.

I asked the former Minister of Community and Social Services under the Liberal regime, what happens to these patients when they're put on the street? The fact of the matter is that three months or 90 days after they're put on the street, the institution washes its hands of them and that person can either be picked up by the system or can fall between the cracks. In fact, that's what's happening today and that's why we see people on Yonge Street and everywhere else in Ontario who are not being properly cared for.

Is there any kind of system that you are aware of which measures the results of the treatment, in other words, that goes out to former patients and says, "Are you happy?" and whoever's interviewing them gauges whether they're clean or they're housed or they're healthy or whatever?

I'm quite willing to give you all of the money if you can demonstrate to me that you can do it best. If it can be done best in the community, that's where it should be done. But quite frankly, what I see happening within our system is that you have different people pulling at the dollars, and the professionals have control of those dollars and the poor patient doesn't really seem to be involved in this whole thing. I want to spend the money where we can ensure that the most people are happy and well cared for. Is there any kind of system you're aware of that can measure that kind of thing?

Dr Duksza: Dr Baldock will try to answer.

Dr Jane Baldock: I'm not going to present you with a system, because as you are well aware from your question, there isn't a truly 100% gold standard evaluation system of the quality of life or conditions that psychiatric patients are under, particularly the most severely ill psychiatric patients, whether they're in the community or in the hospitals.

I'm originally from Britain. The government there had a funded project in Worcestershire, in the southwest of England, over 10 years which ended in 1989, in which it was proposed that two psychiatric hospitals would be closed and 10-year, slow-development top-grade community support systems were going to be put in place. It's been evaluated now by Dr Turner and Dr Robertson and recently written up in the Royal College of Psychiatry manual, stating that there was no cost saving to the system. In fact, the beds that were finally allocated in the community were exactly 20 less than had been closed by the two hospitals 10 years previously.

The quality of care was not addressed. In fact, the quality of care assessment in the community is even more difficult to undergo than in the hospitals. Each of our psychiatric hospitals has a quality assurance program, and we're always auditing different programs. But I'm afraid the outcome studies in psychiatric illness, particularly chronic psychiatric illness, are very difficult to come by.

Finally, what we do know is that with the rapid transfer into the community, the biggest risk factor is increased

suicide. There's another study from Morgan, I'm afraid again in Britain, which was undertaken because the coroner insisted on an investigation of why psychiatric patients were taking over the suicide numbers.

The Chair: Mr Jamison.

Mr Jamison: There are a couple of statements that need clarification. There's an indication that there was a 1% cut in health funding. Actually, there was a 1% increase in health funding, in general terms, although I recognize that your situation is significantly different at this point and needs addressing.

The other point I'd like to make is on Mr Ruprechts concern that there is no consultation for budgetary purposes. In fact, that is what I understood this pre-budget submission situation is all about, so I'd like to make that clarification.

Beyond that, the whole gist of putting people on the street was started in the 1960s under, I believe, a Conservative government at that time, and it's still in place. I just wanted to clarify the record.

The Chair: Okay. I'd like to thank you for appearing before this committee today.

Dr Duksza: Thank you for having me.

The Chair: I didn't understand the title at the very beginning, doctors and dentists, and it was mental health, so I was clued in by the researcher here on where you fit in.

Dr Duksza: We're a nice closed shop.

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ONTARIO FEDERATION OF COMMUNITY MENTAL HEALTH AND ADDICTION PROGRAMS

The Chair: The next group we've got coming forward is the Ontario Federation of Community Mental Health and Addiction Programs. Your group is smaller; you're by yourself.

Mr Chris Higgins: It reflects the relative proportions of spending in mental health.

The Chair: I'd like to welcome you to the standing committee on finance and economic affairs. We have half an hour, until 3:30, and as you've been watching the other group, they left some time at the end for questions. After three groups—the Canadian Mental Health Association, the Association of Ontario Physicians and Dentists in Public Service and now the Ontario Federation of Community Mental Health and Addiction Programs—I think maybe you're going to be running out of some questions. Please identify yourself for the purposes of Hansard and you may begin.

Mr Higgins: My name is Chris Higgins. I'm the executive director of the Ontario Federation of Community Mental Health and Addiction Programs. As it happens, I'm also a board member of the Psychosocial Rehabilitation Association which is an international association of mental health centres.

The Ontario federation is a non-profit organization representing 235 community-based mental health and addiction programs across Ontario.

I'd like to talk to you about the financial ramifications of some of the current developments and make some recommendations and hope you'll support them.

Currently, Ontario spends about \$1.4 billion annually on the provision of mental health services; 80% of that spending is on medical-institutional services; about 10% or 11% is on community-based services. We spend more on medical-institutional services than any other comparable jurisdiction I know of in the world, certainly in the research I've been able to find.

To give you an example of that, in the United States, the average expenditure on medical-institutional services in 1985 was 68%. At our current rate of growth of investment in community-based services, we will reach the US 1985 level in the year 2014. In other words, in 2014 we will be at the place the United States was at in 1985, and the United States is not renowned for being especially progressive as an entirety.

The result of this disproportionate spending on medical-institutional services and the result of the poverty of the community-based services is that we have an unbalanced and ineffective mental health system. This is very bad news, but there's potential for a better mental health system within the existing funding base and perhaps even with a decrease.

It's important to think of the mental health system as a system. It's not helpful to think of it as a bunch of separate parts that function in isolation. What we have here is roughly a vehicle that holds a lot of people and has a lawnmower engine to propel it. In other words, we can put a lot of people in institutions, but we do not have the motor that will take them back to the community they came from.

The current government announced an initiative around mental health reform a year ago and everyone agrees that this initiative is very important. Particularly, consumers and families are looking for changes that will make their experience better.

We need sound financial planning to accompany the service-oriented planning. Current efforts have not forecast the long-run costs of our current system nor the potential costs of the various alternatives that are being discussed. Such expenses as the capital reinvestment necessary to keep the psychiatric hospital plant operational have not been figured into costing. Without the cost calculations, we cannot evaluate cost-benefit or cost-effectiveness, so we're basically groping in the dark.

An excellent example of good financial planning is the State of Tennessee Master Plan for Mental Health Services which was referred to earlier by the Canadian Mental Health Association. In this plan, they go through all the necessary steps and give us a wonderful example of what we should be doing here. Ultimately, they forecast a better mental health system with less spending. What I need and what our province needs is support from your group and from the government in formulating such a plan for Ontario.

An example of the consequences of fiscal changes without reference to some kind of a plan has already been spoken about at some length today, but I'll very briefly return to it.

The government has been quoted in the press as planning to cut provincial psychiatric hospital budgets by \$45 million over three years. Ministry officials in that same interview with the press said we should be assured there will be community-based services in place. We are the community-based services that are in place. My member organizations include some of CMHA and 234 others, and I can tell you that we have heard of no increase in our resource base in relation to this cut of the provincial psychiatric hospital services.

If you think what that would mean, it would mean that we would be picking up a \$45-million service cut with no additional resources, and that's about 33% of all our assets put together, so we would have to pick up 30% more clients with no new money. In a system that's already underfunded, it's not practical. The potential effect on people with mental health and addiction problems is very serious and possibly tragic.

Another aspect of the unbalanced mental health system is the unfair compensation of community-based staff. These staff are expected to carry the load of the most serious clients in the province, in a very complex environment, with no protections and in an environment that's uncontrolled, unlike the hospitals. Unfortunately, these staff, for the same-sized jobs of the same value, are underpaid by 16% and underbenefited by 18%.

The situation must be redressed not only because of the unfairness of wages and the impact of not being able to afford good quality staff, but also because if we don't redress this situation, the development of an effective and affordable mental health system is blocked. In short, we freeze the resource allocations of staff roughly as they are now.

One of the issues which faces the community sector is in relation to management of our existing budgets. Current ministry budget procedures for transfer payment agencies are costing the province money and its citizens service. We're required to budget on a line-by-line basis in the area of salaries and benefits, and are restricted from allocating and reallocating within the lines when circumstances dictate.

The outcome of this situation is that programs must budget 100% of their salary arrangements to ensure that they do not go in the red every year. This results in annual recovery and ties up funds that could be better used.

There's another outcome that's happening this year particularly; that is, programs are actually closing down services, even though they have adequate funds to run, because they're not allowed to reallocate money accordingly. So we're going to be seeing services closing down, laying staff off and finishing the year with a surplus. This kind of a paradox does not reflect good management. With 380 transfer payment agencies altogether in this area, this reflects a very large problem.

The final area I'd like to talk about a bit is an area that's been raised a couple of times by folks today. We need a means of ensuring that the funds allocated to mental health and addiction programs are spent on services that make a real difference for the people who use them, their families and the community in general. Currently, we have no system for evaluating health outcomes of the mental health system. Thus, we invest in an array of services on

the basis of the opinions of providers of those services—doctors, hospitals, community mental health agencies and so on. In other words, we're investing on the basis of what providers believe in; we're not investing on the basis of what is proven to work.

We must have a system, a means for measuring health outcomes of mental health and addiction services. These outcomes can be expressed in terms of satisfaction ratings by consumers, quality-of-life scales, the number of people who return to the labour force and the number of people who do not return to hospital. By the way, all these devices, measures, scales and so on are available. This is not new technology. This is not, "Thirty years from now maybe we can have something like this." This stuff's already working now in many other jurisdictions.

Just to digress a little bit from this material, in the United States, the National Alliance for the Mentally Ill, which is an alliance of consumers and family members, rates the states on the basis of how well they serve the consumers of mental health services. When they rate the states, they have discovered that the states that rate the highest are always the states which have the highest proportion of community-based services. The states that rate the highest right now are Vermont and Wisconsin and they spend about 70% on the community sector and 30% on hospitals. We spend 80% on hospitals and 10% on the community.

NAMI does not rate in Canada, but if it did, I expect we'd be at the bottom of the heap along with the other American states which spend all their money on hospital-institutional services.

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I might also add that recent research in Massachusetts published just this month that does quality-of-life measures shows that community mental health services and the people in them experience a higher quality of life than they experienced while in the institutional systems. The measurement of successful outcomes must be applied to all the service sectors: psychiatric hospitals, general hospitals, community mental health programs and also OHIP billing, which is the fastest-growing area of mental health expenditure. All these services must be measured by the same yardstick, and the services that work are the services we must invest in.

If we had a long-range mental health financial plan and if we had a set of outcome measures that established which programs are effective and the clients experience a real benefit from, we would be in a position to move forward with mental health reform in a very effective manner. What I would ask from you is that you ask the Ministry of Health to support the creation of a long-range mental health financial plan and a plan to measure outcomes across all the different sectors and invest accordingly.

Thank you for the opportunity to speak, and I'd be happy to take some questions.

Mr Ruprecht: Mr Higgins, I'm just wondering if you would know the waiting period or the waiting time for a person who would like to get treatment and who is addicted to drugs. I'm think about cocaine right now. The

reason I want to know is to see whether the waiting period now is extended or whether it's cut shorter or what the future will hold.

I'm asking you because I had a very disappointing call from one of the parents whose son was on cocaine. They wanted to get him off because the family was being ruined. It was just a tremendous cost, not only to us, because the man had gotten into breaking and entering and in trouble with the law. He even ruined his own family, because he stole money from his parents and bankrupted them.

When the father called me, he said, "Do you know what, Mr Ruprecht? The waiting period for a person who tries to get on this addiction treatment program would be at least six months," I said: "I don't believe that. That can't be in Ontario." So I called around to a number of homes and institutions, including the Addiction Research Foundation, and to my amazement, I found out that in some instances treatment facilities had said, "We all have a waiting list and it's going to take up to six months." I think that is really unacceptable because what we should be doing is to spend our moneys treating people, not only in terms of law enforcement.

My question to you then, Mr Higgins, is if you know about the treatment programs and whether you would agree that a waiting period of six months is outrageous, and is it still that way or has it been improving over the last few months?

Mr Higgins: To my knowledge, it is still that way. There has been no substantial increase in the treatment assets for addiction problems in Ontario in some time. Recent reinvestment by the government has been focused on better assessment and referral systems, so we now have a quicker intake process that will assess a problem and then direct someone to treatment.

Mr Ruprecht: That's because of the registry, right?

Mr Higgins: Partly because of the new provincial registry and partly because of some actual new programs on the ground in about nine areas in Ontario; that is, nine district health councils out of 35. Now that we can assess and refer people, we have no new assets to refer people to. There's just a slightly quicker pickup on referrals and then ultimately the same waiting lists for treatment.

Mr Carr: Thank you very much for your presentation. I want to talk a little bit about the advocacy bill. When that bill came out, I had a chance to meet with some of the doctors at the psych department in my hospital. They said that if we were going to spend \$25 million to \$30 million to set it up and then an additional \$25 million to \$30 million a year, there's more of a chance that people won't have the services there because of a lack of funding than there is some people will be—I'll use the word—abused by the system, and that if we are going to spend that money, more people will slip through the cracks than there are people who are going to have slipped through the cracks by being abused.

If you had \$25 million to \$30 million to spend, would you put it into your programs or into the new advocacy legislation?

Mr Higgins: That's a very difficult question to answer, and I'm not privy to all the information the government had in making the decisions to assess the priorities the way it has. The tradeoff between direct services and the supervision and quality assurance, whether it be advocacy or other means, is always a difficult tradeoff to establish what are the correct proportions. I really couldn't tell you that I have the answer and that my organization knows that clearly.

What we need is a system to measure whether things work. If advocacy can play a role in helping us make sure that our services work and we get our money's worth out of our investment, then it is in fact a major contribution to the betterment of the system and ultimately to the services that we all expect to be there for the people of Ontario. In effect, if it shapes the services so that we get better services, it is indeed a prudent investment.

I would like to take just one second to talk about a point that was raised earlier in relation to advocacy. Our investment in mental health research is indeed minuscule—it is about \$1.5 million—and we desperately need to assess what works and invest in that.

Mr Carr: I think you're selling yourself short. I think you know better what's needed, quite frankly, than the government. This was driven by a political agenda. I think somebody got to the government and said that this is what would be the best idea and your voice was lost. I appreciate it's difficult to come in and criticize the government and then, on the other hand, ask for more money, particularly in light of what's happened to some people who have criticized the government. I appreciate your political answer. I didn't mean to really put you in a difficult situation.

I want to talk about the rationalization of care. In my area they're looking at closing down the department at the Joseph Brant and moving into Oakville. We've got the reverse with paediatrics and so on. One of the concerns of the people in that community is that, as you said, there are no community-based programs in place. I found it astounding to say that you were going to be saving money, but there is nothing in place. (1) Either they're just saying that and have no intention of spending the money or (2) it really is incompetence in putting this in place.

I just wondered if you can comment. Are you in favour of what's happening with what I'll call the rationalization of some of the care among hospitals and communities?

Mr Higgins: I don't want to be unduly negative, but it is very difficult to consider mental health planning in Ontario to be a rational process. Currently the psychiatric hospitals plan in one planning stream reporting directly to the Ministry of Health. The community mental health programs report in a different planning stream, through the district health councils. The general hospitals generally plan unto themselves. In either case, among all these three, is there a single point where they're coordinated?

Changes quite often happen on the basis of the best wisdom of one part of the stream. From the perspective of the hospital, this may be a great idea, but since that planning stream tends to be divorced from the community stream and the psychiatric hospital services stream, it's

quite often the case that their best ideas are not complemented by appropriate approaches in the community.

There have been many cases in Ontario—in fact, I know of one where a hospital in west Toronto closed the whole unit and the nearby community services learned about it in the newspaper the day it closed. They were not able to respond, change, modify, expand or do anything in relation to the change that the general hospital made. It simply came to them in the paper, and it's "Live with it."

I'm not familiar with the particular economic infrastructure of your hospital. I certainly read about that decision. By and large, it's somewhat contrary to the whole Graham report, which is trying to make sure people stay in their communities. I would tell you that in northern Ontario the kind of displacement that is going to happen in your area happens all the time and is getting worse. People go from Sault Ste Marie to North Bay for care. The very act of dislocating people 400 or 500 miles away from all their friends and their families, everything they know, is an unhealthy mental event. It's very stressful for anybody. Then that happens as a routine.

To have people leave their community from the east part of Toronto to go to Whitby hospital for care does not make a lot of sense either, when they could take a streetcar to Queen Street. When people have to leave Oakville to go somewhere else to get care, it seldom makes a lot of sense if you think about the effect of travel and the expense of travel on this population, which tends to be impoverished and vulnerable.

On the whole, these kinds of changes need to be brought together in a synthesized plan, and they are not. That's part of what we're talking about in terms of mental health planning. We didn't make any comments about mental health planning in terms of this particular committee, but we definitely need a single point of planning for mental health services, and that needs to be accompanied by a single, long-term mental health fiscal plan that makes sense, because currently our event horizon is about next year, and that's not very successful long-range planning.

The Chair: I'd like to thank you for your presentation before the committee. We'll recess for 10 minutes till the next group is ready.

The committee recessed at 1521 and resumed at 1532.

ONTARIO MINING ASSOCIATION

The Chair: We'll resume our pre-budget consultation. The next group is the Ontario Mining Association. I'd like to welcome you to the committee. We have until 4 o'clock, so you've got a full half-hour. In that half-hour—I guess you know how it works—could you leave some time at the end for questions from the committee members after your presentation? Please identify yourselves for the purposes of Hansard, and you may begin.

Mr Patrick Reid: Thank you, Mr Chairman. I am Patrick Reid. I'm the president of the Ontario Mining Association. With me today is Peter McBride, also of the Ontario Mining Association. He is the manager of communications and has responsibility for energy matters as well as at the association. We are going to make a very brief

presentation. We thought we would leave the bulk of the time available for your questions.

I should start by saying that we understand the fiscal problems faced by the government. We do not have any fiscal magic wand to wave to solve those problems, except to say that higher levels of taxation are not going to get us out of the predicament we all find ourselves in.

I would refer you to the brief we have tabled. On the first page, you'll see a number of quotations from the Ministry of Mines discussion paper on mineral incentives for Ontario, incentives that might spur more exploration and development of mining in Ontario. These quotes are from that government document, and we have repeated them here because we think it provides a pretty good framework for some of the problems that we in the mining industry and others face, particularly in regard to uncontrollable government-mandated or -controlled costs. We're happy, I must say, to see that Hydro's taking some action. The press release is a hot seller; we can't seem to find one in the building today.

We just want to impress upon you that what is going to help us all is the creation of wealth, the creation of jobs, and that's going to require more investment than we're seeing in the province of Ontario, both in our industry and others. Governments at all levels have become fairly adept at taking the money and distributing it one way or the other, although I'm sure you've heard lots of people in the past few weeks complaining that they're not getting their "fair share," whatever that is, but we have to create economic activity so that there are jobs and tax revenues to provide some of these services.

We made a presentation in response to the Ministry of Mines' request on its discussion paper on mineral incentives. We've basically repeated in very brief form our recommendations to the Minister of Mines and also recommendations that we have made to the Treasurer and the new Minister of Environment and Energy and native affairs at the Ontario Round Table on Environment and Economy.

These recommendations are simply that to spur investment in the mining industry, we have to improve the rate of return that companies have been getting or can expect to get if they do mine development in the province of Ontario. There's something called the hurdle rate; the hurdle rate is the return on investment these companies have to get before they will go forward with a project. In our original paper, we suggested that the hurdle rate was between 10% and 20%. We use 10% for illustrative purposes to indicate that if the projected rate of return was under 10%, the project would not go ahead; if it was over 10%, it might go ahead in Ontario.

Our recommendations, therefore, are that the ways the government could best assist this are:

— Provide assistance for upfront infrastructure costs, such as hydro lines, roads or landing strips for mine development. This is not a grant or a loan—I guess in a sense it's a loan—but these are moneys that would be paid back over the life of the mine. So it's not a cheque written by the government with no return.

— Allow mining companies without Ontario income to sell their exploration and development write-offs.

— Minimize upfront environmental costs. An RRSP type of reclamation and rehabilitation fund is recommended. Under the Mining Act, companies have to provide financial assurance and make provision for putting up funds of some kind to pay for reclamation costs. Again, if these costs are upfront dollars, it's going to make a project going ahead in Ontario less likely. So there must be both some consideration of that and some tax considerations, and we are recommending as one of the vehicles for financial assurance an RRSP type of fund. We have put this to both the Minister of Mines and the Treasurer.

— The government could actively aid new mine development by streamlining the environmental approvals and permitting process.

— Improve the opportunity to explore and improve access to land in Ontario. There has to be a lot of exploration done before one mine is found, and access to land for exploration purposes is absolutely vital. Over the past few years, there has been a lot of land taken out of exploration due to various single uses.

— Last, we suggest that the government announce a five-year tax holiday for new or expanded mines. This would have a negligible effect on the Ontario treasury because most mines are not profitable in the first five years, but it would have, we believe, a significant psychological boost to mining investment in Ontario.

1540

We have included in our presentation a description of the mining industry in Ontario that is appended to your brief. You've also received a copy of the Ernst and Young study of the economic and fiscal contribution mining makes to Ontario. We did this last year with the financial assistance of the Ontario Ministry of Northern Development and Mines, with which we have an excellent working relationship.

As well, you have a copy of our *Mining in Ontario, 1993*. We feature every year a different mining community. You have just received it, but when you get a chance to look at it, you'll see that the mining community we're featuring this year is Toronto, because Toronto is seen as the centre of mining finance in the world. There are a great many mining-related facilities in terms of head offices of mining companies, exploration companies, junior development companies, consultants, suppliers and so on in Toronto or in the Golden Horseshoe. There are a lot more jobs dependent on the mining industry in Ontario than are just found in the some 36 communities which have actual mines located in them.

That is our very brief presentation. We know you've had a long day, but we would be glad to entertain any questions.

The Chair: Mr Carr.

Mr Carr: Thank you very much for your presentation. As we all know, as a result of the worldwide recession, we've lost a lot of markets because of the decline in economic activity. On the last page you talk about Ontario having 30% of the nation's total of export trade, about \$18 billion. I wonder how much we've lost to other jurisdictions. I'm thinking of the provinces or maybe other countries.

Have we lost market share? I know the numbers are down, but in terms of market share, how has Ontario fared versus other jurisdictions?

Mr Reid: That's a difficult question to answer. The first thing I learned when I joined the Ontario Mining Association is that the industry is not homogeneous, so it does differ from metal to metal and mineral to mineral.

I would say the biggest difficulty we've had in many respects has been in the nickel markets. Nickel is the largest mineral revenue generator in Ontario, and with the breakdown in the Soviet Union and the new CIS, there is chaos in the markets, and Noril'sk in Russia or CIS—whatever they're calling themselves these days—has been exporting a lot of nickel at below-production cost, so that has affected the nickel markets drastically.

The only way we're going to survive is to be able to continue to increase our productivity, to be on the leading edge of technology and to keep our costs down. That's one of the reasons we're so concerned about government costs that are put on us, because those are not profit-based and they tend to wipe out some of the other cost containment that the industry has been able to achieve.

Mr Carr: I realize there are different commodities, and some may be doing better than others. This is another difficult question, because I know you've got membership made up of different groups. But looking into the future, which of the various metals or commodities would you say Ontario should be going into? You mentioned the situation with nickel, competing with the Soviet Union, which may be dumping it below cost. Again, I appreciate it's difficult, being an association with many members, but if you could, which one would you say has the most future for us here in Ontario?

Mr Reid: We are fortunate in that we have a broad base of metals and minerals. We have a mineral endowment that is still to be proven. We've got a whole bunch, and every mineral has its day, so to speak. A few years ago, everybody was out exploring for gold. Gold was it. Now gold has sort of lost its lustre. The thing to remember is that people are always going to need metals and minerals of all kinds.

Obviously, we have a large stake in the base metal minerals, the base metals being nickel, zinc, copper and lead, because we have large smelters with huge capital investments in them, in Sudbury and Timmins particularly. So we have to find base metal reserves in the next few years to keep those smelters going and to increase the reserves, because the reserves have been declining over the past number of years.

Today, I can tell you base metals are very important. A year from now, maybe everybody will be running after gold again or platinum or some other precious metal or industrial mineral. The commodity business is very much a supply-and-demand business and reacts very quickly to both the overall economic circumstances and to price changes.

Mr Carr: One last question, if there's a little bit of time. Again, I know with the membership being so based, maybe it's difficult to answer this question, but relatively speaking, in terms of making improvements in technology

and in getting our costs down, how would you say we've fared versus some of the other parts of the world and some of our competitors? Have we done a good job; a fair job? How would you assess it overall?

Mr Reid: You'll see from the Ernst and Young report and just from our brief discussion of it in the paper that we've increased our productivity greatly in Ontario. Frankly, that's what has managed to keep us going, because metals and minerals are found around the globe and a lot of other countries, particularly Third World countries, do not have the costs of either labour or infrastructure or government costs that we have. So we've been able to compete, but we've got to keep doing that. We've got to keep driving those costs down and we've got to keep improving our technology. You don't hold on to technology very long, but whoever has it first and gets it implemented has got a leg up for a while till something else comes along.

The problem we're facing, as at least one person if not others in this room knows, is that countries like Mexico, Chile—South America—and other countries around the world are becoming very competitive. They have changed their approach to investment. They're throwing open their borders. They are saying: "Come and invest. You can take your money out. We'll relax the rules." I'm not talking environmental rules. They used to have barriers to investment in many of their resource industries particularly, but not just those, and now they're realizing that they need those investment dollars to create jobs and they're competing very strongly with Ontario and Canada to attract those investment dollars, whether they come from Ontario or they go to Mexico instead of Canada.

Mr Paul Klopp (Huron): It's a pleasure to hear you today. I've got a mine up in Goderich and know a little bit about how it creates some well-needed employment in the area. This year, Toronto must be glad we've got salt in the province. I go back home and I think they don't have snowplows down here; they just throw salt at everything. I've got mixed emotions about that. I need a new pair of shoes, but the trucks are rolling.

1550

Your recommendations to the minister seem, on the whole, reasonable. I think you put a lot of thought into them. I hear a lot of groups. I could replace the word "mining" with the farm sector, and I think some of these I'm going to give back to my farmers to help lobby on what we should be doing for that investment side. In fact, I think we do buy a lot of steel and products in that industry which go around here in Toronto. I don't find that a bit surprising at all.

I lucked out, I guess. I was watching and listening to I believe it was the CBC, but it could have been any kind of news show. They had a what sounded like a young, dynamic staff person from one of the mining industries—

Mr Reid: Was it me?

Mr Klopp: No, unfortunately.

Mr Reid: You said "young."

Mr Klopp: I'll leave it at that. I don't want to go any further.

One of the things they talked about was the fact that this is the hub here; it's based here in Toronto. One of the things the newscaster got talking about with them was that they felt they were doing not too badly in the mining industry, albeit they seemed to be again like in farming—if you started in 1982 or rather in 1986, maybe, when land went down, versus if you started in 1979, the same scenario as in any business.

One of the thoughts that seemed to come across was that there seemed to be a difference between the bigger companies in your organization versus the smaller companies. I think I had that in that little half-hour that I was in the car listening. Maybe about a week ago I heard another commentator who was one to make interesting comments, but he seemed to bring that point up again in his remarks and he's from the north. Is there a difference between the bigger, maybe multi-faceted companies versus the smaller companies within your industry? Do they need different things?

Mr Reid: Yes, Mr Klopp, there definitely is. It's one of those things where the larger companies are hit very hard, as are the small companies. I guess the biggest difference is that larger companies, most of the time—not always—are able to weather the storm because they either have reserves or they have the critical mass to attract investment or make loans. The small companies are having an extremely difficult time raising investment dollars by way of shares or whatever to do exploration and development in Ontario.

A small exploration and development company headed, interestingly enough, by a young lady was telling me not too long ago that she can get all the money she wants, relatively speaking, to explore in Venezuela but she can't get a nickel—maybe I should make that a dime—for exploration dollars in Ontario. The investment climate is not great here.

Mr Klopp: A really quick question: You mentioned other countries opening their doors. I can see that; I'm not arguing that point. But you mentioned specifically they're not touching their environmental rules. I guess I beg the question, do they have environmental rules to touch?

Mr Reid: Yes. Two things: First of all, our Canadian and Ontario mining companies have all agreed to a set of environmental principles, one of which is that they're going to operate with the same kind of environmental responsibility whether they're in Ontario, Canada, or somewhere else, regardless of what the laws are in those countries.

I guess the difference is that they are so eager for investment and are competing so hard for investment—it may only be a perception, but the anecdotal evidence is that the rules are understood; there are time limits. You go to Chile, you go to Mexico, you go to some of these countries and there is somebody there from the government who meets you at the airport and says, "We're glad to see you; how can we help you get this thing going?"—not that the rules are easier or that they aren't enforced. I don't know about the enforcement, but there's just a different sort of approach. They are desperate for investment as we are in Ontario and they're at a different level of economic

development. We're going to have to start meeting that kind of competition.

Mr Brown: Of course it goes without saying that mines and mining communities and people who work in mines are close to any northerner's heart, but Pat, as we go through this, I wonder at the second point you make, "Allow mining companies without Ontario income to sell their exploration and development write-offs." Do you have any idea how much money that is a year? Could it be sold and then reinvested in Ontario?

Mr Reid: That's the idea.

Mr Brown: That's the point, but what kind of dollars and what kind of costs to the treasury?

Mr Reid: I can get back to you and give you specifics, but basically the idea is that a small junior company that has spent, let's say, \$1 million, if it found a mine, would be able to write off a portion of that as exploration expenses. If they don't find a mine, there's nothing to write it off against. They could trade that to another company and, as you say, get some funds. That would be matched against the profitability, presumably, of the company that's buying them. I can tell you there aren't a lot of profitable mining companies around to write that off, but the idea is to get that money flowing and get it working again.

The Chair: Mr Bradley, do you have a question?

Mr James J. Bradley (St Catharines): I'm just a visitor to the committee. I wanted to hear the pearls of wisdom from the executive director of the Ontario Mining Association.

The Chair: Okay, fine. Mr Brown again.

Mr Wiseman: These are nuggets; they're not pearls.

Interjection: No pearls in Ontario.

Mr Reid: Gold nuggets.

Mr Brown: Perhaps you could help me flesh out the environmental costs issue, the RRSP approach. What exactly are you talking about?

Mr Reid: The Mining Act requires financial assurance—when you open a mine now in Ontario, or if you have an existing mine, you have to provide the Ministry of Mines with a closure and rehabilitation plan. At the same time, you have to provide a financial assurance plan which explains how you're going to fund that ultimate closure and rehabilitation. That can take a lot of scarce dollars that aren't available at the moment, so we're recommending that a fund be set up like a person's individual RRSP. Companies can put money into the fund, the money would earn interest in the fund tax-free and, at the end, or as you need it, you take it out of the fund and spend it on the rehabilitation and closure. It's a funding mechanism that would assist in the cash flow of the company and not just have that money sitting there.

Mr Brown: Would it be individual to each company? That's really what I was trying to understand. Each company would have its own "RRSP"?

Mr Reid: Probably a trustee would hold the funds for the company. The government's going to want assurance—

Mr Brown: It wouldn't be industry-wide, is what I'm saying.

Mr Reid: No, it would probably be company-specific and site-specific. A mine would do a closure plan. If it were going to cost \$5 million, then they'd have a financial assurance plan of how they're going to fund that. That would be put in box A, and there would have to be all the guarantees to the government that the fund was there and was going to be used for that purpose.

Mr Brown: It would be somewhat, but not exactly, similar to how we deal with aggregates.

Mr Reid: No.

Mr Brown: I agree that it goes in total, but this would be specific to the—

Mr Reid: No, there's a substantial difference, because there's a royalty on aggregates. We can't afford a royalty.

Mr Brown: I'm not talking about a royalty.

Mr Reid: Yes.

Mr Brown: But it's so much per ton or per pound, depending on what you're extracting. That's really what

you're talking about, though, only it stays in a trust account.

Mr Reid: Yes, but it wouldn't necessarily be so much a ton; it would be done on an engineered estimate of what the cost of rehabilitation and closure would be.

Mr Brown: The cost per pound or per ton, though, would be predicated on the—

Mr Reid: Not necessarily. You can do it that way, but if you've got a mine to close down, you've got everything from tearing the buildings down to capping shafts to doing a whole bunch of things—looking after the tailings. There's a whole series of things involved and it would be site-specific, depending on what you've got there.

The Chair: Gentlemen, as time has run out, I'd like to thank you for appearing before the committee today. Wasn't that quick?

Mr Reid: Thank you very much.

The Chair: This committee will be adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1600.

Substitutions present / Membres remplaçants présents:

Brown, Michael A. (Algoma-Manitoulin L) for Mr Phillips

Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud D) for Ms Ward

Klopp, Paul (Huron ND) for Mr Ward

Perruzza, Anthony (Downsview ND) for Mr Ward

Ruprecht, Tony (Parkdale L) for Mrs Caplan

Wilson, Fred, (Frontenac-Addington ND) for Mr Sutherland

Also taking part / Autres participants et participantes:

Bradley, James J. (St Catharines L)

Clerk / Greffière: Grannum, Tonia

Staff / Personnel: Campbell, Elaine, research officer, Legislative Research Service

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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- *Kwinter, Monte (Wilson Heights L)
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- *Sterling, Norman W. (Carleton PC)
- Ward, Brad (Brantford ND)
- *Wiseman, Jim (Durham West/-Ouest ND)

*In attendance / présents

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Second Intersession, 35th Parliament

Official Report of Debates (Hansard)

Wednesday 10 March 1993

**Standing committee on
finance and economic affairs**

Pre-budget consultations

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mercredi 10 mars 1993

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 10 March 1993

The committee met at 1031 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): We'll resume the pre-budget consultations on the standing committee on finance and economic affairs. We'll first turn to the proposed outline draft report, the table of contents. Does everybody agree with the table of contents?

Mr Norman W. Sterling (Carleton): Can I just ask a question? How long is it going to take to write this?

Ms Elaine Campbell: I think it'll depend on what is discussed today. I have the skeletal outline here. It's really a case of filling in and what I want to find out today is what you want to fill it in with. I should have a better idea by the end of the day as to how much time will be needed.

Mr Sterling: Can I just talk in general here before we go into various portions of it?

The Chair: Go ahead.

Mr Sterling: I have no real objection to the outline that our researcher, Ms Campbell, has put forward in terms of how she would draft it, the overview of the presentations under each section and that kind of thing. I would encourage her, from our point of view, to just go ahead and do this.

When you get to the recommendations, "The committee recommends that: Economic and Fiscal Policies," which is on page 6—do you have all of the recommendations? You have economic and fiscal policies, taxation, sectoral issues, social issues involved there. I don't know if Mr Brown or the government wants to comment on that first part, but up to page 6, as far as I'm concerned, you can go ahead and write. I'd just like some explanation of the breakdown in terms of the recommendations you have. When you say that this section will open with an introductory overview, could you just tell me what would be in the introductory overview?

Ms Campbell: It would be basically a summary of the gist of the comments that were made. There were a number of comments made that couldn't be categorized under a subject heading. I thought I might summarize some of those as well.

Mr Sterling: Then you ask a number of questions after. "Would the committee prefer to focus on a small number of concerns as opposed to a broad range of issues?"

Ms Campbell: In the previous bullet point I make reference to the fact that in the summary of recommendations, which accompanies the document you're looking at right now, I was able to categorize a number of specific concerns, subject areas. My question there is, does the committee want to focus on a small number of those or does it want reference made to every single issue that's listed there?

Mr Sterling: I don't know. What do the government members want to do with this? Obviously we're going to differ when we get down to the nitty-gritty.

Mr Jim Wiseman (Durham West): In previous submissions that we were sent there has been a preamble and a description of what we've heard, and then there have been specific recommendations from the committee. Some of them have gone through unanimously because everybody agreed, and some of them have not, and the opposition has usually submitted a dissenting report or an addendum to the report.

I guess what we want to ask is if that's the format of the report we want to send this time or if we want to do something different, and if we do, what would be the difference and where.

Mr Sterling: You obviously have the numbers in terms of the committee, and so therefore the report is essentially a government report.

Mr Wiseman: If I could interject here again, just having read through some of the recommendations that have been made, some of them are very contradictory. For example, when we heard the railway presentation yesterday and we read the recommendations of the trucking association and of the Canadian Manufacturers' Association, they're obviously contradictory recommendations. One's recommending that there be a level playing field in terms of taxation on railway rights of way, with regard to the comparison to using the 401 as a means of transportation. The CMA and the truckers' association disagree with that and ask for a cut in their taxes because they already feel that they are overburdened, whereas when you read what the railway association is saying, it's asking for a cut in the fuel taxes that it pays because it subsidizes the roadway that it is in direct competition for.

So that's an example of a contradictory recommendation from both. I think it would be useful for this committee to start to discuss around what kind of recommendation the committee would like to make on the basis of obviously contradictory recommendations from the groups, and perhaps to give some indication or some thrust to the Treasurer in the direction that, in that particular case, the committee would like to go.

Mr Sterling: You see, I guess the disadvantages on those kinds of recommendations are that we hear a 20-minute presentation by one group and then 20 minutes later by another group, often the first group not knowing the second one's coming in and no opportunity to reply by the first group.

What they're asking for are significant shifts in tax responsibility, if you want to put it that way, or whatever. The Treasurer is in a much better position, because he can go to his Minister of Transportation and say: "What do you

think about what the railways are saying and what do you think about what the trucking industry is saying? What are the rest of the people saying? Where's the debate on this issue?"

I have a great deal of reluctance in saying this is right or that's right, because I don't know, quite frankly. I've heard the story and I'm intrigued by the story by the railways, but I don't know where the really non-competitive edge lies. I don't know whether it's because the railways just have not measured up or whether in fact we've been too fair, if you want to put it that way, to the trucking industry. I haven't drawn a conclusion, and I think it would be unfair on our part to draw that conclusion in this report. I guess I'm begging off on that decision.

Mr Wiseman: I think you've raised a very good point in terms of the difficulty of grappling with some of the recommendations, and we may want to go in a different direction in terms of that and say that while we've heard these conflicting submissions or these contradictory submissions on this issue, we might want to make a recommendation that the Treasurer take a long, hard look at where the direction should go in terms of what the overall finances of the province are. For example, if it's \$20 million to build a six-lane highway, do we want to continue to encourage the erosion of the railway system that is there? Maybe, without making any definitive recommendation, we can put forward an argument that says something should be looked at in terms of an overall direction. I'd be interested in that.

Mr Gary Carr (Oakville South): The only thing I was going to suggest is that we take the main topics, and I don't care who starts, whether it's the debt or taxation, and basically just see. From the government's standpoint, depending on what the Treasurer wants to do with the next budget, if he does want to home in on the fact that he wants to keep it down, he may want to get some type of agreement in this report from the other parties to do that on the debt and to have some type of report that we agree. I don't know what direction you've got on that or whether you're just free to say whatever you'd like.

Mr Wiseman: We're free.

Mr Carr: What's that? You're free? That's good.

My suggestion would be to take some of the main topics, just the ones that we feel are the most important in the public's mind, and then decide what some of the recommendations will be. I think we can fit in the summary.

The only thing I wanted to caution with what Elaine said is that sometimes she said that she wanted to put the ones that can't be categorized up front. My only feeling—I don't even know what they are; I might agree with them—is that by doing that it may lead those to look like they're a very important part of the report when they may not be; that's why they can't be put in any type of category. That's the only thing I wanted to caution on that. If you put it separate—and again, I don't even know if it was something I agree with or what it was—it may look like that's something very important. I just wanted to caution on that.

But basically my suggestion would be to take the main topics, start out with what the government wants, because

you have the numbers to decide, see if there's any agreement, if it's taxation and you call for a freeze of taxes, whatever it may be, then see if we can get agreement, and go through each of the lists, see the ones we can agree on and the ones we can't. Then obviously that will be the minority report of the other two parties. That's just my thoughts off the top of my head.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I'd like to make a comment, Mr Chair, if that's okay. Sure? Okay, thank you.

Mr Carr: You've got the floor, Paul.

Mr Johnson: I think certainly we can probably preface this report by making a statement about all the things we agree upon. That's in a sense some of the things Gary's already said, but certainly we have some commonalities. I mean, when we look at the circumstances the province finds itself in today, as elected representatives we have some opinions. Certainly we've heard from a lot of people who have made presentations and they all have opinions based on whether they're maybe funded by the government or believe they should be funded by the government or whether they believe the government should make some major reductions in its expenditures. But I think, again, just as elected representatives who sit here before this committee and sit in the Legislature we probably have our own opinions. We have our party's opinions, but certainly there are some things that I think we would find common. For example, I think that not one of us wants to see the province of Ontario become bankrupt or that our debt escalate beyond a point that's manageable. I think that's a fair commonality. If anybody disagrees with me, speak up, most certainly. Likewise, with regard to taxation and expenditure, I think we have a lot in common in spite of what we may say from time to time to each other across this floor.

Mr Michael A. Brown: (Algoma-Manitoulin): I have a question, being relatively new to this committee, in terms of the report and what happens with the report. The report, I take it, goes to the Treasurer?

The Chair: Correct.

Mr Brown: If, as Mr Wiseman has suggested, we perhaps ask the Treasurer for an opinion on relevant issues the committee agrees to, do we get a response other than seeing what the budget says? Is there a response whatever from the ministry, other than just what we see at the end of April or the first part of May or whatever?

The Chair: As soon as we get done, we send a copy to the Treasurer, but it's tabled in the House as soon as the House is sitting, on April 13 or 14. It'll be tabled as a report from this committee, but the Treasurer will have a copy.

Mr Wiseman: For example, if I may, on the issue of the truckers versus the railways, it may well be that the paragraph could read something like: "This committee is unable at this time to determine a course of action on this issue, given the conflicting reports. We recommend to the Treasurer that further study be done. The study may want to take into consideration what the overall objectives of the government are in terms of greening industries, more efficient transportation

modes. We, as a committee, at this point are not able to recommend based on the information we had."

That hasn't been put in any report in the past, but I think we could ask in terms of where the report could go. In the areas where we obviously have some ideas of what we would like to see happen, we could make those recommendations. In the areas where concerns have been raised by the public, we may well want to say, "We as a committee have not been able to resolve this issue and would request that further study be done."

Mr Brown: In that case, there may or may not be a reply from government.

Mr Wiseman: That may not be possible, but we're flagging the issue.

The Chair: Excuse me; just a minute. I'd like the clerk to respond to this. I had given some misinformation there on the report being tabled and no response.

Clerk of the Committee (Ms Tonia Grannum): The standing orders provide, if the committee wants, for the ministry to provide us with a formal response after a report is tabled within a certain amount of days. In the past, what's happened has been that we've been invited by the Minister of Finance to his boardroom, after we've given him our draft report, and he's given us an informal response. If you wanted to go that way, we could see if we could arrange that, or you could go through the standing orders and require a formal response within the amount of days after tabling. Those are options.

Mr Carr: The only comment I would make about the recommendations is that I don't see them being a summary of everything we heard, because they're conflicting. I would much rather see it from the information all the members heard, and then put in what their recommendation is.

If we run into one where we can't decide, like the trucking issue, then I don't think it should be put in there that we couldn't decide. I would like to make it a little shorter, more concise, but come up with a report that whatever is in there, we have agreement, because my fear is that the Treasurer will get a report which basically is nothing but a summary.

I think our function, as we sit and listen to the people, is to see if there is any common ground and then come up with a report to the Treasurer where we can agree; not on what people said. I don't see it being a summary—some members may disagree—because my feeling is that if we can get some agreement, even if it's on two things, if it's presented to the Treasurer and we can agree on whatever it may be, there's more of a chance for an impact with the Treasurer, rather than giving him a report which basically is just a summary.

They can read the summary report, which Elaine did and did very well, but to me, I don't see it being really just a Hansard of what happened. We've heard the submissions—we may agree; we may not; it may be on two things; it may be on 10 things—but I think to have an impact with the Treasurer, I would much rather see us do a report where the committee says, "Here's a recommendation on the deficit," if we can agree on taxation, and if we can't, what I would suggest is that each side would then make a

recommendation on what it thinks is important, and if it doesn't work out, the government side can say, "This is what we would like to see," and the Liberals and so on.

I would just caution us not to try to make the report a summary of what we heard, because I think through Hansard and through the research that's been done, that would happen. I don't see a report of recommendations just being a summary where we say, "We couldn't decide," unless we think it's an important enough issue on the trucking to say, "We couldn't decide, but we think it's paramount that the Treasurer take a look at that." That would be different, but just to sum up everything isn't constructive.

1050

The Chair: Like a recommendation that if the price of fuel goes up two cents a litre, the impact it would have on the trucking industry.

Mr Carr: We're just saying what our recommendation would be, using that example—do you think fuel taxes should go up?—taking the two sides. If we can agree, even if it's one or two things, I think there's much more of an impact.

Mr Sterling: What I'd like to do, Mr Chairman, is to instruct Ms Campbell to write the first part of the report down to the recommendations, and then give us until perhaps tomorrow morning to go through the summary of recommendations to see which ones we're attracted to and how we categorize them.

The Chair: Did you want a caucus this afternoon then? Is that what you're saying, Norm? Do you want to caucus with Gary and come back tomorrow morning?

Mr Sterling: Yes, I want to consult. Basically, one of the problems you have here is that when you look at the summary of recommendations, you're dealing with just about every critic or every ministry. The government side may have an advantage in that it can call the ministry and say, "Where are we on this particular issue or that particular issue?" But you cover the whole spectrum here in terms of where you might want to make a recommendation or where you may not want to make a recommendation.

The only thing that I'd like to know from Ms Campbell is, if we decided on that course of action, that we would adjourn and do a little bit of work on our own this afternoon and then come back tomorrow morning and have a better idea of where we might be on the recommendations, if we were going to do that, I just wonder what questions Ms Campbell would need in order to begin writing the first part, or is that needed by you at this time?

Ms Campbell: By "first part," do you mean to the end of the MUSH sector, to the end of hospitals?

Mr Sterling: You have recommendations all the way down, don't you? You say under "Municipalities," for instance, on page 3: "The subsection will provide an overview of the presentation by AMO. It will summarize comments as follows." Have you written that portion yet?

Ms Campbell: No, I haven't.

Mr Sterling: You said, "The committee recommends that"; I suggest that we wait until tomorrow to write that

section. I trust you to be fair in terms of interpreting what AMO said about disentanglement, new programs etc. As far as I'm concerned, you can go ahead and write that. I don't know what your schedule is for the rest of the day. As far as everything up to page 6 on hospitals is concerned, you can do that. You can do the introductory overview on economic and fiscal policies, taxation, sectoral issues, social issues; you can do all of those parts.

For the other parts, I would suggest it might be fruitless to send you out with instructions at this time without our having an opportunity to go over the recommendations and trying to formulate where we might be on each of those recommendations.

Ms Campbell: To further clarify, you would like a little more in the way of text under "Economic Summaries and Forecasts" and "Transfer Recipients," and introductory paragraphs to each of the other section headings.

Mr Sterling: Yes. That's it, basically.

Mr Carr: My comment was that what I would like to see—and I don't know what the other committee is—is more of an information, rather than saying, "AMO said this," just more—

The Chair: Generalized?

Mr Carr: —generalized of what the issues are, without taking a position. The problem we've got, notwithstanding I agree with a lot of what AMO says is that if you do that, there is more conflict and it then leaves it up, with all due respect—I know Elaine does a good job, but it's more her interpretation or more on the numbers of groups that appeared. I would much rather see us leave it a little bit broader and not really take a position, rather than outlining the circumstances, which you've already done very well.

That is my only caution with that, because I don't see, again getting back to my point—I think on the AMO one there, if we're going to talk about that, I don't think we should specifically put AMO unless at the end of the day, we recommend what AMO does and agree on it. I think you follow what I'm doing.

Ms Campbell: Your suggestion is to put AMO's presentation into the larger context—

Mr Carr: Right.

Ms Campbell: —of the whole issue of what's happening with municipalities today. Under those circumstances, it might be rather difficult to come up with anything very substantive by tomorrow morning.

Mr Carr: It's a little more work for you.

Ms Campbell: Yes.

Mr Sterling: I know what Gary's driving at, but I also don't want to waste huge amounts of time involved in this thing. Gary, I think the problem with that kind of suggestion is you're asking for general research on what municipalities say about item (a) and item (b) and all the rest of it, and that's—

Mr Carr: Actually, what I was thinking more is not even that. I am not thinking more detailed; just a very short little bit of what the issues are, more for clarification. I didn't see it being detailed where you do a three-page

report on transfers; very short, two, three lines. You see how difficult it is.

Mr Wiseman: From what I've been able to read in the recommendations, most of the MUSH sector has recommended that they get more money, get funding or be included in the process for negotiations and that they want to be included in the negotiations in the future. I don't think we need to regurgitate everything they all said. They have that in common. What we as a committee have to decide is what recommendation we're going to make out of that. One recommendation could be, yes, continue to negotiate and continue to discuss the issues facing the sectors. AMO has said they should get the 2%, 2% and three-year budgeting in the future.

I think some serious discussion has to be had here about how viable some of those recommendations are in the face of the current situation. If we all agree that the deficit is of major importance, then I think the debate will hinge around what we recommend in the other sections on taxation, on transfer funds and so on, on what we agree in terms of the goals we should set in terms of the deficit and what we do about the deficit.

Mr Brown: I think the primary purpose of this committee, at least from my point of view, is to decide, especially at this point in Ontario's history, what economic and fiscal factors are facing the province of Ontario. They're quite different than they have been for a long time, and if we can settle on, first, what the facts of the situation are, which would be terribly important, we could then put any recommendations there might be in some kind of context. I think we should be starting out dealing with that as the primary function of this report because I, over the last few days, and you, for weeks, have heard people come in here and say, "We know how bad it is." I'm not sure they do and I think one of our jobs as legislators is to get the proper facts in front of the folks.

This first section, where we talk about the fiscal forecasts and where the province is at, I think, is going to set the context for how we deal with the entire rest of the report. I think members, having seen the various fiscal and economic forecasts, have a pretty good handle on that and I think that's where the debate should centre.

I think we could get on with that relatively soon. We could discuss that, get general agreement upon the broad issues of taxation, deficit reduction or whatever, and then move into the rest of them after that to give us all some time to look at the various recommendations and think about how we might want to deal with particular ones. But let's settle the context before we get going on this.

1100

Mr Monte Kwinter (Wilson Heights): I would agree with my colleague. I think an ideal document would come forward with an analysis of where we are today, a decision—this may be controversial—as to whether the thrust of the budget should be to reduce the deficit, whether it should be to increase the deficit, and whatever rationale there would be for either of those particular points of view. We'd have to take a look at taxation—is there room for

taxation, is there not room for taxation, what areas of taxation, is that practical—and expenditures.

We've heard some comments from some of the deputants, particularly yesterday, saying that it's impossible for us to tax our way out of this, it's impossible for us to grow our way out of this, and the only way we can do it is by tackling the expenditures. Do we, as a committee, agree with that? There may be differences of opinion on those particular points.

I think if this document is going to have any relevance, it really has to deal with that. Then the specific things can be used as commentary. But I don't think it should be the role of this committee to address very specific things because the mental health group wants a particular thing or some other group wants a particular thing. That's interesting and it all adds to the background, but I think we should be dealing with this in the broad approach to what should be the economic direction of the province as reflected by the budget.

Let's give the Treasurer some guidance and some direction from what we have heard from the people who have appeared. I don't think he particularly has to know, on a line-by-line basis, that somebody wants an increase in that particular sector because that's of interest to them. I think we should deal with it on a broad base and see if we can come up with a document that will have some relevance to what is happening.

Mr Johnson: Could I just say that I agree entirely? In fact before you got here, I said something similar. I think if that's what our goal is, then we should hasten to achieve that.

Ms Campbell: I have a question for the committee in general after the discussion that's been going on for the last few minutes. I guess it's a multipart question. Do you still want to follow the very structured framework that appears before you now, or would you prefer to place the comments that were made before the committee into a broader context and focus on one theme such as economic renewal or the issue of productivity or something related to that?

The Chair: Not everybody at once. Norm?

Mr Sterling: Having just received these recommendations and the proposal by Ms Campbell to put this forward, I'd like a little time to talk to my people. I'm attracted by Mr Kwinter's suggestion, and Mr Johnson seems to be in agreement, that we talk about overall economic thrusts that we recommend as a committee to the Treasurer. As I said before, I'm somewhat hesitant to take hard positions on specifics which I've heard somebody plead for 20 minutes in front of this committee. I don't feel that it would be fair for us—fair for me—to take a hard position on either side of it, having had that brief experience.

There are some issues where I can take a hard stand. I mean, we have taken a position that the GST and the PST should be melded together in one tax in order to save business the expense of collecting that tax and reporting that tax and paying that tax, so I have no problem with that. But I would rather perhaps adjourn this meeting, come back this afternoon or tomorrow morning and then

start talking about the general economic thrusts that we might write in this report.

The Chair: Norm, would it be better that we maybe meet between 4 and 5 tonight so it gives some direction also to the researchers? Do you work at night?

Mr Carr: You do now.

Ms Campbell: Between now and perhaps a meeting later this afternoon, I could work on the economic summaries and forecasts and have something a little bit more in the way of substantive text, filling in the sections there. I could see getting a little bit more in the way of detail there.

The Chair: I think if we come back for that one hour we can give some further direction so when we come tomorrow we can finish the report, but if we wait until tomorrow, it's a little late in the morning to start getting a lot of work done there.

Mr Kwinter: May I make a suggestion?

The Chair: Okay, Monte.

Mr Kwinter: It would seem to me that if we could start the report with an overview of the economic climate, which should be easy—when I say easy, I don't mean easy to do but easy to get the information, because it's certainly a topic that dominates every discussion. Every political discussion in Canada today is absolutely tied to the economic climate. Everybody who talks, whether it's the three NDP premiers coming together to talk about it or whether it's the Minister of Finance of Canada or whether it's Maurice Strong having his press conference talking about the problems with Hydro, whatever we talk about it is all based on the economic situation.

I think it's important that we as a committee state that so there's agreement, because that will set the course for what our recommendations are. "This is the economic climate." It's a fact. It isn't a matter of opinion. Here's the situation that we find ourselves in. Today Moody's is saying all the provinces may be in trouble with their rating because of what is happening. That is the context in which we have to make our recommendations, so I think we should start off with that.

Then we should have an overview of the alternatives of the things that we have to address, whether it be growth in the economy or what the prospects are there, whether it is taxation or whether it's expenditure control, and then our recommendations. As I say, this committee has to make the decision as to what it feels we should be recommending. This exercise is to provide recommendations to the Treasurer in the preparation of his budget, and it would seem to me that's what we should be doing.

The Chair: Any other comments? Everybody in agreement? Okay, Elaine?

Ms Campbell: Just for clarification for my own purposes, I would like some clarification on the direction the committee would like me to follow today before a meeting at 4 o'clock or whatever this afternoon.

Mr Sterling: I think on page 2 of your paper you're talking about what Mr Kwinter is talking about. In other words, what did the people who were in front of this committee say the forecast was? You might want to present

that in the form of a table or the summary of what it is, what are the growth factors—

Mr Carr: Including the government's.

Mr Sterling: —including the government's forecasts, as to what we can expect.

Ms Campbell: So basically follow the format that appears here.

Mr Johnson: Could I just add something?

The Chair: Yes, Mr Johnson.

Mr Johnson: I think this summary is very comprehensive and it gives a lot of details about viewpoints that presenters have brought forward. I think the report we would give to the Treasurer would be somewhat more simple and more direct.

I don't want to belabour this, but we've talked about it time and again this morning already, about what the presenters before us have said, especially with regard to three, maybe four things, that is, taxes, how we raise revenue, expenditures, where or how we should reduce our expenditures and reduce programs, I suspect, and certainly the debt and deficit and how we deal with that. Of course the other thing is we've received a considerable amount of information as to how the economy may or may not grow over the next short term. So I think those four things. If we could have just a summary based on the information you've received from all the presenters, that gives us some direction with regard to those.

Ms Campbell: You're talking here under economic summaries and forecasts. Would you like an overview of everyone's presentation, or are we just focusing on the forecasters and the Treasurer?

Mr Johnson: I think the forecasters and the Treasurer. They would be the people, in my opinion, who would be the experts, who would give us the best advice with regard to that.

Ms Campbell: Okay.

Mr Kwinter: Mr Chair, may I make a suggestion?

The Chair: Yes.

Mr Kwinter: It seems to me that from a format point of view, if we could have the report start out with the economic summaries and forecasts, then go from there to economic and fiscal policies, then to taxation, then the

sectoral and social issues and then go to the transfer agencies and any of the other comments, if it worked through that progression, then it would make some sense. It would build up to, "Now we have to deal with the real problem of how we affect these particular things," and deal with that at the end, but set the stage for why you're making those recommendations.

Mr Johnson: Good advice.

The Chair: Elaine, are you straight now on exactly what the committee is looking for, or do you want to repeat it?

Ms Campbell: No. I think I'm fine.

Mr Wiseman: Don't repeat it, for heaven's sake. We've got it.

The Chair: Can we say that we will adjourn?

Clerk of the Committee: Recess.

The Chair: Recess. I always want to adjourn, don't I? When I recess, I recess. Okay. We're recessed till 4 o'clock and have an hour for further direction that has to be given to the researcher.

Mr Anthony Perruzza (Downsview): Mr Chairman, can I make a quick comment, please?

The Chair: Oh, you're back. Okay.

Mr Wiseman: You wouldn't want to withdraw that, would you?

Mr Perruzza: We're breaking until 4 o'clock?

The Chair: Like in school, recessing until 4 o'clock.

Mr Perruzza: Then we're coming back here at 4 o'clock?

The Chair: At 4 o'clock.

Mr Perruzza: Till?

The Chair: Till 5.

Mr Perruzza: Until the report is prepared?

The Chair: No, not until the report's done, because we still have tomorrow to meet. What you'll do now is caucus with your members on what you feel should be done and the recommendations. We're recessed until 4 o'clock.

Mr Perruzza: Thank you for that explanation, Mr Chairman.

The committee recessed at 1113.

AFTERNOON SITTING

The committee resumed at 1601.

The Chair: We'll resume writing the report for the standing committee on finance and economic affairs. Ms Campbell, will you go over what you've done for us this afternoon and where we're going from here?

Ms Campbell: The document that you see before you is entitled Proposed Outline Draft 2. What I did was take the document that was distributed this morning and reorganized the section headings and changed the text a bit under the headings.

The Chair: Can we turn to the title page which is actually page 2, but there's no "2" on the top.

Mr Tony Ruprecht (Parkdale): Mr Chairman, are you showing us this because the numbers are wrong on this?

The Chair: No, we just reorganized it. It's just that there's no number. Actually, the next page will be "Table of Contents." There are no numbers on these pages, just so you are not looking at it upside down or the wrong page.

Ms Campbell: I have a question to ask concerning the title. Would the committee consider changing the title if we are going to be changing the context of the report? Or is the committee happy with the way it's now entitled?

The Chair: What, "Pre-Budget Consultations"?

Mr Wiseman: Do you mean something like "Recommendations to the Treasurer based on the Pre-Budget Consultations"?

Ms Campbell: I suppose something along that line. Or is the committee happy with what appears there now?

Mr Wiseman: I think I might agree more with changing it to "Recommendations to the Treasurer based on the Pre-Budget Consultations."

The Chair: Everybody in agreement on that?

Mr Kwinter: I would prefer if it was "The Report of the Standing Committee on Finance and Economic Affairs on its Pre-Budget Hearings," then we don't have to—

The Chair: Do we agree on that, because everybody knows it's going to the Treasurer.

Mr Wiseman: I have no major problem with that.

Interjection: That's fine.

The Chair: Table of contents: Does everybody agree on the table of contents, the structure? Hearing no opposition, everybody agrees?

Mr Carr: No, I'm sorry I didn't get that. What was that again?

Interjection.

The Chair: Wait a minute; Mr Carr.

Mr Carr: I just didn't hear that. What did you say, Ron?

The Chair: Does everybody agree with the table of contents and the way it's laid out?

Mr Carr: Yes, it looks good.

Mr Wiseman: I thought that under "Transfer Recipients" there was going to be a section "Considered: Other

Recommendations" or "Other Considerations." Wasn't that what you suggested, Monte?

Mr Kwinter: Yes. I would think that under the section that says "Transfer Recipients," that would really be an anecdotal report on what the transfer recipients who appeared before this committee had to say, but that somewhere in this report or at the end there would be something in the form of recommendations, comments or whatever. Up until this point all of this is really anecdotal, as I said, but then somewhere along the line there's got to be some provision for this committee to make some recommendations, comments or whatever.

Mr Wiseman: So it could either say "Other" or "Recommendations." I have no—anybody? Am I out there on my own on this or what?

Mr Kwinter: Or "Conclusions." They may not necessarily be recommendations; they may be comments.

The Chair: Okay, Ms Campbell, read out what—

Ms Campbell: Could I suggest that we maybe come back to this after we've discussed the text of the report a bit further? That would probably alter the table of contents a bit.

The Chair: Ms Campbell, do you want to read into the record the introduction?

Clerk of the Committee: Is there any need to?

Ms Campbell: I have a question concerning the introduction. If we're going to be possibly changing the context of the report, should the introduction be changed to reflect that rather than simply stating that we had hearings the week of January 11, 1993, and for six days in February and March and the number of groups that were heard from?

Mr Kwinter: Could I make a suggestion? I would think that in the introduction, as opposed to just stating the facts as to when the committee met and who they heard, there might be some editorial comment about the context of the economic climate in which these hearings were held so that it sets the tone for what is going to come the rest of the way.

Mr Wiseman: That's in "Economic Summaries and Forecasts," I think. Wouldn't it—

Mr Kwinter: Well, "Economic Summaries and Forecasts" sets the tone for what the economists had to say and the banks had to say. But it would seem to me that this committee was meeting in a particular climate that I think should be reflected in the introduction in some sort of statement to the effect that we've just come out of X number of years of recession, the economy is this, that and the other thing and, given that, this is the context in which these presentations were made, just so that it sets the tone for what the document is going to be. That's just a suggestion.

The Chair: You're actually introducing what the report's going to be so everything's sort of tabled in that introduction. Ms Campbell, would you read it back to us what you've written down?

Ms Campbell: I was just writing down Mr Kwinter's comments that we place the introduction in some sort of editorial context with respect to the economic climate in which the hearings were held, and he made specific reference to the years of recession and other things, I suppose, such as the restructuring rationalization.

The Chair: Okay. Everybody agree? Comments?

We'll go to page 2, "Economic Summaries and Forecasts." Ms Campbell.

Ms Campbell: There's really nothing that has changed since the previous draft was presented to the committee other than the fact that two of the notes that appeared at the bottom of the page have been taken out.

The Chair: Everybody agree with page 2?

Mr Ruprecht: Could I just ask a quick question? Was this done the same way previously, exactly the same way, or were there any changes?

The Chair: Do you have the previous copy?

Ms Campbell: The previous draft was exactly the same format.

The Chair: We'll get you an old draft so you can compare.

1610

Ms Campbell: As I said, it had a few notes at the bottom which had been taken out.

Mr Wiseman: Are you asking if previous committees doing pre-budget consultation have done it this way?

Mr Ruprecht: Yes, that was my question.

Mr Wiseman: I would like to think we could have our own stamp of individuality.

The Chair: Done a little bit different, I would say, this year. Wouldn't you say, Norm?

Mr Sterling: Yes.

Mr Carr: What might be helpful are the charts that were done. Is that how you plan on doing it in "The Future," the subsection?

Ms Campbell: That will appear under "The Future."

Mr Carr: That's the way we had done last year's too, I think.

Ms Campbell: Yes.

Mr Sterling: One thing I think is fair comment in here, and the government members may have an objection to it—the projections for the upcoming budget year of 1993-94. One of the things we've had to wrestle with on the opposition side is that the Treasurer said in his 1992 budget that operating expenditures were going to be \$53 billion; that capital expenditures were going to be \$3.1 billion. He also said in his 1992 budget that he expected to collect revenues of \$48 billion. During the year—and he said he expected a deficit of, I believe, \$8.1 billion—he's changed that expectation from \$48 billion—it's now at \$42.2 billion—and the deficit has gone from \$8.1 billion—that's operating—to \$13 billion, I think, in terms of what he said most recently.

In my view, him acknowledging that his forecasting was off that dramatically, I guess, can be viewed in two

different ways by the quote, but the forecasting was off and that's a fact. I guess the public or somebody reading it could say, (1), they're incompetent, or (2), things are deteriorating or changing so fast that the Treasurer has a lot of difficulty in predicting what in fact his revenues are going to be in any given year.

I think it's significant to show how different his projections are over a relatively short period of time and the significant difference in them, and I would like that included as a table—in other words, as he made each readjustment, showing when he realized that these things were changing.

Mr Johnson: I'd like to just comment on what Mr Sterling said. First of all, I'd prefer to think that people would perceive it not as incompetence but the fact that the economy is in such turmoil that even though people who are considered experts at predicting—

Interjection.

Mr Johnson: Absolutely—that those people who are experts in predicting, those prognosticators of the future of the economy, would find that it's very difficult to predict, given the circumstances under which they're trying to arrive at figures that would seem rational. I think, regardless of who might be the government of the day, assistance would come from the same people—for you or for whom-ever was in power—who are there helping us, plus you have your own political staff who would guide you as well.

I think it's clear that it doesn't matter who is there. The Tories federally have not been able to predict. I think that if we look at the history of revenue predictions in any province in the country of Canada, all the so-called experts have not done a good job. I think that would tend to support the argument that it's difficult, during these very difficult economic times, to predict as opposed to a level of competence, if you will.

Mr Sterling: That may be so. You are arguing the case as to what is the proper conclusion the public should put on the figures. I might want to argue the opposite.

Mr Johnson: You might.

Mr Sterling: I think what you will see is that when the table is prepared vis-à-vis the growth figures as put forward by the experts we had in front of this committee, when compared to what the Treasurer's proposing, you will find that the Treasurer is optimistic about unemployment figures, growth and those kinds of things. If I'm looking at it in a credible way and am listening to whatever experts are saying in coming to a conclusion, then I'm going to say that this Treasurer has a history of being overly optimistic about what's going to happen.

Mr Johnson: I don't want to belabour the issue, but I think that—

Mr Sterling: All I'm asking is whether facts are being presented as they—

Mr Johnson: If facts are going to be presented, then we want to lift the whole range of predictions that were made by many agencies and those people who would predict these sorts of things and see that, certainly within the whole range of predictions, the Treasurer's predictions fell

within the scope of all other predictions. It wasn't at the outside. I just wanted to make that comment.

The Chair: Okay, I've got Mr Jamison, Mr Wiseman and Mr Kwinter.

Mr Norm Jamison (Norfolk): I believe, if we're going to look at it that way, that what Mr Johnson says as far as really looking at things nationally is concerned is important, because I think we're seeing every government in this country at this point having a shortfall in its projections. Their budget forecasts are running between 10.1% over to 109% over in the latest figures I've seen, in the case of PEI.

But I believe we have to look at the national scene in general too. We have a federal government that seems to have been struggling with the debt load. The end result looked at least a third higher in the numbers of billions of dollars. I think this is symptomatic of the length and depth of the recession on the whole of the economic fabric of the nation. We're seeing symptoms of the same things in other places.

I've been sitting on the finance and economic committee off and on, but basically on, since our term began. Unfortunately, I think it's very important to realize that governments, which rely very heavily on economic forecasters in making a proper assessment, a realistic assessment, have simply been failures at doing so over that time frame, which really indicates to me a tremendous change in the whole economic fabric of how the business of equating that is actually performed.

I think it should be reflected that this is not a symptom just here in Ontario but in every other province and federally, and in some cases internationally, as we see a globalized recession in depth and duration taking place, making it very difficult on every government to project in that manner.

The Chair: Maybe I'll go to Mr Kwinter and then to Mr Wiseman.

1620

Mr Kwinter: I'd like to just comment on this discussion. I don't think it's a matter of pointing the finger at incompetence. I don't think it's a matter of large-P politics; I think it's a matter of small-p politics. I think that one of the problems—and when the Treasurer tabled his budget, I said, and it's in Hansard, that his projections were overly optimistic. You don't have to be a genius to figure that out.

One of the things that I track on a regular basis is the projections of the London Economist, because when I talk about the small-p politics, the banks and the financial analysts that come in have a political agenda. If they preach doom and gloom, they're going to see doom and gloom. Everybody tries to put the best face on what the economic situation is going to be because optimism breeds optimism and pessimism breeds pessimism.

If you look at the Economist that I received today—I should have brought it with me—they predict, and these are people who are outside the Canadian scene, that growth in Canada is going to be 2.8% in 1993. The Conference Board of Canada had predicted initially that Ontario would lead the climb out of the recession. Three

weeks ago they announced that Ontario would trail the climb out of the recession.

It seems that independent, non-Canadian analysts who have no political agenda are saying that the growth in Canada is going to be 2.8%. It seems to me that we would be doing the Treasurer—and again, I don't want to make this a partisan thing—a service by recommending that, if anything, the projections of the Ministry of Finance should be small-c conservative as opposed to trying to put the best face that it can on the financial situation in Ontario.

What happens is that if you do that and you are underestimating what your revenues are going to be and you are getting to the point where you may have some windfall, then you have a perfect opportunity to try to tackle the debt. But if you overstate and—again, I don't want to get into the whole argument—you cook the books and you transfer the teachers' pension payments into the next fiscal year so that you can have this artificial number, what you really wind up with is a situation like today, where the Treasurer announced that he's probably not going to get his \$1.2-billion stabilization fund and he's probably not going to get his funds from the sale of SkyDome and, as a result, he's expecting the deficit to go to \$13 billion. That is an incredibly dramatic change from the figures that he started out with.

But, again, you don't have to be an economic wizard to ask why you would include a figure when there's no acknowledgement that it's ever going to get paid, the \$1.2 billion. It was put in to make the figures look better. I can understand the large-P politics of it, but it seems to me that if you're dealing with the Ministry of Finance, you would think that of anybody in any branch of government, regardless of what party is in power, it would be the one that would be small-c conservative. They would try to really take almost the worst-case scenario so that, if anything, they would make their adjustment at the end of the year in a positive way as opposed to a negative way.

I think that it might be useful for this committee—again without trying to talk about incompetence and without trying to talk about anything else—to send the signal that maybe it's time the people at treasury really come up with that kind of an analysis.

If you take a look at every single projection by every bank and every financial analyst, every one of them is less than what the Ministry of Finance has projected, the low end being the Bank of Nova Scotia at dramatically less than what everybody else has projected, but unfortunately it will probably be closer than most. Yet the treasury people come up with the most optimistic figures, and then they make all their projections based on that.

It's one thing to say, "We think it's going to be this, but having said that, we're going to do our projections on another figure." They sort of convince themselves that this is the figure, and they then project all of their figures based on that figure. Then we have them, almost on a monthly basis, saying those numbers cannot be achieved.

I'm going to make another prediction. If you heard Mazankowski two days ago, he predicts that their revenues are not going to be what they had expected just a month ago.

Mr Perruzza: Nobody believes him anyway.

Mr Kwinter: That is going to reflect in Ontario, because Ontario is a major part. If their numbers aren't coming in, it means that a big chunk of the money they expected to get out of the taxpayers of Ontario is not going to come in, which means that we are going to have exactly the same problem.

It's not going to show up in this fiscal period, because you've only got less than three weeks till the end, but it's certainly going to impact on the next fiscal period, but the treasury people will probably still overstate, because politically it's more palatable.

Mr Wiseman: I remember back when we first started this in 1991, we had all the same groups come forward making their projections. I've written them down and I've got them all at home. They were all projecting that we would be coming out of this in April 1991, if you remember, because you were on the committee.

I agree with you in the sense that it's very difficult to get a handle on the true economies of what we're talking about. As Malthus says, economics is a dismal science, and it's especially dismal when you're in the midst of a recession the way we are.

If I remember correctly, the Treasurer did indicate that not only did he recognize what you have said in terms of revenue income, he also took that revenue number and deflated it even further, by a further amount, and it still came in lower than that.

I think I would agree that it's counterproductive to try to argue around putting political statements into this. It's more productive to try to reflect our best judgement on what is happening and to give that recommendation. I think we'll probably find ourselves wrangling a whole lot less if we try to do that than if we try to turn this into a document containing political comments and political finger-pointing.

Mr Sterling: What I'm saying has nothing to do with finger-pointing at all. It has to do with us producing facts and figures.

Mr Perruzza: On a point of order, Mr Chairman: Is this like an informal discussion we're going to have here today or what?

The Chair: I'm sorry, we're just rotating, going back and forth.

Mr Perruzza: I thought he had the floor.

Mr Wiseman: I haven't completed yet.

I think it's counterproductive to use words like "incompetent" and so on when everybody else has been incorrect in terms of suggesting where we would be by this time. I don't call them incompetent. I just say what has happened is that things are in such a volatile state that it's very difficult and, as Mr Kwinter has pointed out, your guess two weeks ago, three weeks ago, no longer holds up this week. I think that's a valid point to put into the document, to say, "Account for the volatility of the economy, account for the volatility of revenues, account for all of these things and try to compensate as best you can."

In terms of projected spending, if I'm reading the right document, operating expenditures planned for 1992-93 in the budget were \$50.947 billion, and in the projected revenues in

table C2 on page 81, the total was \$44.925 billion. In fact I think our revenues are around \$42 billion and our expenditures are somewhere in the neighbourhood of \$580 million to \$600 million below the projected expenditures.

While there are some major difficulties on the revenue side, some things have been happening in terms of coming in under on the expenditure side, on the constraint side. Of course the final numbers aren't in, but there have been some indications that holding to the budget plan in terms of expenditures is much closer in terms of spending than it has been in the past. Where the projections have failed is on the revenue side. I think it would be far better to try to work in a way towards giving the Treasurer something he can read and think about, as opposed to haggling here over the subtleties of the political implications of the language.

1630

Mr Sterling: It seems that the New Democrats are the people who are arguing the case. We're not arguing the case. What we're saying is that we would like information presented in this for the Treasurer to draw his own conclusions. I want to tell you that I'm not pleased he's out by as much as he is at this stage of the game, because I don't think that helps our credibility as a province etc. What I think he would read into it is the conclusion Mr Kwinter has put forward that maybe his officials should be a little more small-c conservative in their estimations about revenue forecasts in the future.

The problem you have is that in the 1992 budget he says he's going to get this further the next coming fiscal year, which he put in his budget. He made an estimate a year ahead of what was going to happen a year ahead. I give him the fact that maybe he was crystal-balling two years down the road, which is difficult in these times, but notwithstanding that, I believe the opposition said, "You're optimistic here," etc. The Treasurer maintained his stance. The problem is that if he overestimates his revenue, then the people who are coming in here asking for money are saying, "There's enough money there to meet our requests." All I want to do is include a statement as to how far off those figures were a year ago.

As I say, you guys can make the argument that everybody else is off. That's a fair argument. But I think the conclusion you come to, if you're the Treasurer, is, "I may have to be a little bit more small-c conservative in what I do." I don't know. It will be included, one way or the other, in the report.

I just think it's most relevant in terms of looking at what the forecasters are saying now about next year, showing what he said about last year, so that when he puts it in his budget, I hope he's realistic about what he's going to collect. I really take great offence in terms of some of the things that he did last year in terms of the \$1.2 billion. Nobody believed that he was going to get the \$1.2 billion save and except him, and perhaps your side of the bench. Some people might have thought he might have got some part of that. Under that particular program, nobody's ever got what he asked for. So our concern is that figures be presented to show how far off he is.

If you want to go back and look at what the forecasters said two years ago and what actually happened in Ontario, I would be pleased to include that kind of a graph too, to show how far off Mike McCracken was in terms of how—he seems to have been the most optimistic all the way through and is forever painting a rosy picture. I've lost all faith in his predictions in terms of his ability to predict the future. But I'm willing to look at all of them and if you want to say, "Here are all the economic forecasters; here's what happened," that's fine and dandy. I think somebody should raise the whole idea of budget forecasting by the economists and by this Treasurer are, whether or not they're trying to accurately reflect what in fact is going to happen.

Mr Perruzza: Just to pick up on that point a little bit, when we engage in crystal-balling what the financial returns for provincial governments, for federal governments, are going to be, I can't say or undervalue how difficult an exercise that is. I guess in recent memory I can point to at least half a dozen budgets and budget projections by all parties of all stripes.

I think of the Mulroney Conservatives in their fiscal statements, when they made their fiscal announcements, how far off they've been, especially on the revenue side. I can tell you that they've applied the Consultation Central Coordinating Committee approach to revenue projections and the rest of it. I can think back in recent memory with the former Liberal government provincially, when it sat down and projected its budget numbers and issued its statement just before it went to an election. We were supposed to roll into this place and discover a \$39-million or \$40-million surplus.

The Chair: Come to the point. We haven't got too much time for history.

Mr Perruzza: History, I think, is important, because if you forget history, Mr Chairman, you're bound to repeat it. I think we need to be reminded of what we're actually doing here. The Treasurer, essentially, has to sit down and take all of the indicators and take all of the advice that he can get from all of the experts out there—and they're all forecasting—and then at the end of it all he has to sit back and say, "How is public confidence going to reflect the numbers and the numbers I'm going to map out in my statement?"

How do you monitor that? How do you monitor the people who are out there and who are going to be spending their money on goods and services and engaging in economic activity. They can all go and on the basis of everything that everybody says and all of the numbers that people toss out, everybody can just simply go and hibernate, and what have you got?

You could have applied a small-cccc approach to your budget numbers and your budget projection and you will be way off because confidence is, by and large, what dictates and essentially what asserts or verifies the numbers in budget projections. Tomorrow, people can get out of that crouched position they're in and go out there and engage in all kinds of economic activity and what have you got?

All of a sudden, bang, you shatter your numbers in terms of revenues. So it becomes sort of a very difficult exercise.

I can appreciate what the member for the Conservatives is saying here today, but I would remind and caution you that this is still a major exercise in crystal ball gazing. It's very difficult indeed and I don't for one minute envy the Treasurer in his task in having to do what he has to do.

The Chair: I guess we had a lot of crystal ball people who came before this committee, because they gave us their information, what they've studied. I don't know what to say on that, Mr Perruzza. All the experts: I don't know what colour balls they had, either rose ones or whatever.

1640

Mr Johnson: It's easy to speak retrospectively. We all do it, and I could. I could make commentary, and I'll make a little bit, about the Liberals when they were in power previously and when the Conservatives were in power previously, and things that they did are coming back to haunt us today. There's no doubt about that. They did some good things; they did some things that weren't so good. The Liberals did some things that were good and not so good. I think in Ontario we've been living in a false economy, beyond our means, for a long time. I think that's clear, so we have to adapt to the realities of the economy that we live within today.

I think what Mr Sterling says is indeed a fact. It's factual. I think the Treasurer was overly optimistic in his predictions and I think that's fair, but why he was overly optimistic I think becomes an editorial comment.

Mr Perruzza: I don't agree with that at all.

Mr Johnson: I think that's where I have a little bit of concern with that.

Mr Sterling: I didn't say put in any comment. I just said put in the figures. I mean, you guys are making the editorial comment. We're not making any. If you want to debate, we'll debate. But what I'm saying is, put in the figures so that the people can—

Mr Johnson: You were the one who mentioned that word that I found offensive, and that was "competence."

Mr Perruzza: Mr Chairman, I think you should clatter together those people.

Mr Sterling: I can say that the day the budget was put down, we estimated that the real deficit was going to be \$13 billion. What's the Treasurer saying this week? That the real deficit's going to be \$13 billion. I could say I told you so. We were right.

Mr Johnson: Well, for once the Tories had an opportunity to prognosticate accurately, and it amazes me, let me say. We could go on like this ad infinitum, I'm sure, but I think—

Mr Sterling: No, I don't want to put that in the report, not in the main report. I want to put the facts in the report.

Mr Johnson: That's right. So do we.

Mr Sterling: Okay, good. We agree to put the chart in back.

Mr Wiseman: The process of determining some of these numbers is actually based on—the numbers, for

example, in personal income tax collection are based on what the federal government actually supplies to the provincial government in terms of its best guess.

Mr Perruzza: Oh, I see. So if they're way off, we're bound to be strange.

Mr Wiseman: In 1990-91, the personal income tax collection in Ontario was \$15.4 billion and the interim collection in 1991-92 was \$13.7 billion and the projection planned for 1992-93 was \$13.88 billion, and in fact those numbers have come in even lower than that. The numbers supplied to the Treasury come from the federal government, so in terms of guessing, I would have to suggest that a lot of people have guessed wrong.

In terms of some of the other things, for example, the equalization money that's supposed to come from the federal government, that's a calculation.

Mr Sterling: So you don't want those figures included?

Mr Wiseman: I think what we need to do is to—

Mr Sterling: I don't want to make the argument who was at fault. I'm saying, put the figures in. What's the problem with putting the figures in?

Mr Wiseman: Well, the figures are there. I don't have any problems putting them in. I just want to be really careful about the kind of language we use around them.

Mr Sterling: Don't use any language.

Mr Perruzza: Quite frankly, I have a problem, because when you talk about these figures, by and large they're arbitrary.

Mr Sterling: They're arbitrary because the Treasurer—

Mr Perruzza: There's nothing that's hammered out in marble or in stainless steel, so to do that, what would be happening is we'd be led down the garden path, nailing in stone, in stainless steel, numbers that we can't actually attest to. I mean, no.

Mr Wiseman: Where are we going with this? Are we going to do something here today or what?

The Chair: We're on page 2. It seems like the auto insurance bill, first clause. What's the direction you want to give to the researcher here on writing this? Can we hear something that's acceptable to everyone? After hearing all the debating here, can you give us a line to put in that you feel would accommodate all three caucuses? Do you want to sit on the hot seat?

Ms Campbell: Crystal ball gazing. I guess I have two questions. Would the committee like a second table to be inserted along with the table of projections which would show projections for 1991 or 1992 and what actually happened? I don't know whether there would be actual figures for real growth for 1992 available yet—perhaps up to the third quarter of last year—but there might be something for 1991.

The Chair: What do I hear from committee members?

Mr Perruzza: That's precisely it, Mr Chairman. We'd be sort of navel-gazing as well and we'd be engaging in the same exercise. I don't know whether that's appropriate,

because then what you end up doing is sort of comparing fiction with fiction.

Mr Sterling: That's what this committee does.

Mr Johnson: I think that if we were to have a history of what has happened recently and, as you indicated, maybe 1990, 1991, 1992, that would give us an indication of how things have certainly changed and it may give us a more realistic perception of what's happening so that when we come to some conclusion here, it would be based on the direction that the economy has taken, as opposed to something else.

Ms Campbell: Would you like a statement saying something to the effect that the committee does recognize the volatility of the economy at the present time—

Mr Johnson: Yes, I would.

Ms Campbell: —and, taking that into account, also recognizes that some projections may not be totally accurate? Pardon my phraseology, but—

Mr Johnson: "Projections may not be realized" might be a fair comment.

The Chair: I believe that's what Mr Kwinter said in the introduction, or along that line.

Mr Sterling: Well, you see, there's a quid pro quo on the other side.

The Chair: Mr Kwinter?

Mr Kwinter: The thing that I would like to get here, and again I'm trying to cast it in as non-partisan a way as I can—

Mr Johnson: I recognize that.

Mr Kwinter: When the Treasurer was here, he said a couple of things, and I didn't get a chance to really question him about it, but this was two weeks ago when he appeared before this committee. One of the comments he made was that he didn't really think they would close the Dome transaction in this fiscal period.

Mr Wiseman: That wasn't what he said. He said at this time he didn't think it would be done in this current fiscal year. That was not the hope.

Mr Kwinter: That's what I said. But he didn't say that the \$1.2-billion stabilization payment would also not be realized at this time. In his figures, he still included that \$1.2 billion as if it was going to happen, when everybody knows there hasn't even been an acknowledgement by the federal government that it's even going to consider that. As a matter of fact, the Minister of Finance has said that he's not going to consider it.

The point I'm making is that that particular fallacy is perpetuated in all of their discussions, so that when he appeared before this committee, he didn't say: "We're not going to get the \$1.2 billion this year. We may not get it next year. We may never, ever get it." He assumed that it's going to be there. Today he announces, "I don't really think I'm going to get that, and as a result, we'll probably have a deficit of about \$13 billion."

All I am saying is that if the people at Treasury—I'm not particularly blaming the Treasurer per se. I'm just saying that somewhere along the line, there have got to be

proper accounting procedures in that ministry. There isn't a business going that would be allowed to put in as a receivable a figure that they have arbitrarily suggested could be owing to them without any acknowledgement by the person who is going to pay it that in fact it is owing and it is going to be payable.

Interjections.

Mr Kwinter: The point I am making is that they perpetuate these particular fantasies to try to keep the numbers looking proper, but somewhere along the line they have to come to terms with it. Today was the day where he's saying: "Given the fact that we are almost at the end of our fiscal period, those moneys will not be forthcoming. As a result, I anticipate a \$13-billion deficit."

It would seem to me that if that realization had been made at the time when he knew that wasn't the case, we could have been adjusting some of the things that we're doing to try to deal with the reality as opposed to the fantasy. All I'm saying is I think it would be a worthwhile endeavour to send that kind of a message, that there be some—I don't want to say "truth," because it isn't a matter of truth—acknowledgement of the true state of the affairs of Ontario as opposed to perpetuating what I consider to be some of these fantasies. That is really the point I'm trying to make.

1650

The Chair: Just a little clarification: Where would you put that \$1.2 billion? Where would you put the Dome on the page?

Mr Johnson: Nowhere.

The Chair: I think maybe that's the problem: Where would you fit it in? In other words, is anticipated revenue on another page?

Mr Kwinter: If you were a public company, you would not be able to list on your balance sheet any receivable unless you had a bona fide offer with a substantial down payment and a firm closing date within that fiscal period. If you didn't have it, you could have it as a note in your financial statement that this is possible, but you couldn't include it. The auditor would not allow it.

The Chair: Okay, that's what I was asking. So it's a note there, "Possible additional revenue."

Mr Kwinter: You might want to make a note to the budget that: "It isn't included in our figures because we don't have confirmation. We have no guarantee it's going to happen. It is possible that this could happen and as a result would change our figures." But to include it as a fait accompli and to have \$1.2 billion and \$500 million, whatever the figure is, and list it as a receivable so that you can balance off your payables to show that your deficit isn't what it's going to be, in the public sector that would be considered fraud, and I'm saying that advisedly.

You couldn't do it. The auditors wouldn't allow you to do it; the securities commission wouldn't allow you to do it; nobody would allow you to do it. Again, without being partisan, I'm just saying that it would be kind of nice to get that message to whomever is the Treasurer at any time that it would be a good thing to use proper accounting methods in presenting your budget.

Mr Wiseman: It's not quite the same thing. The budget's a different thing.

Mr Kwinter: Why is it any different?

The Chair: Okay, what are we going to do, include the chart for how many years to show the revenue going down or going up or expenditures?

Mr Sterling: I think we're talking about 1993-94, and Mr Laughren told us that it was going to be a deficit of a certain amount in May 1992. In October he told us it was going to be a higher amount, and he's now told us in February that it's even going to be higher: \$13.9 billion is where the 1993-94 deficit is right now. I believe that those predictions should be put down on paper.

I can make all the arguments Mr Kwinter made and I feel as strongly or stronger than he does about the fact that the Treasurer is playing hokery-pokery here and that he's got to be called into line. We can do that in straight words in a dissenting report or we can put forward the figures and let you go out to your constituents or the people you're talking to and argue that the figures are that way because things change so much. We will argue that they didn't change that much, that there was hokery-pokery. But that's fine and dandy; we'll make those arguments. All I want are the figures, as presented by the Treasurer, and the fact that he's having to shift ground dramatically over a relatively short period of time.

Mr Johnson: Because of the volatile economy, right?

Mr Sterling: That's your conclusion.

Mr Wiseman: If you're going to include that, then perhaps you might want to also include the fact that the expectations on the \$1.2 billion are based on an agreement and based on a formula that is in existence, that other provinces have been able to access and that the federal Tories have decided arbitrarily to ignore, to the extent that it's not going to be paid, although there's been no indication that they have said they wouldn't pay.

Mr Sterling: That's total bunk.

Mr Wiseman: No, it's not total bunk.

Mr Sterling: Yes, it is.

Mr Wiseman: No, it's not. Your leader got up in the House and said that there wasn't any money coming. I remember this distinctly, that he had been told we weren't going to get any money.

Mr Sterling: There's no indication of that. Nobody has said—

Mr Wiseman: That's what your leader said in the Legislature; it's in Hansard.

Mr Sterling: Yes, that's right.

Mr Wiseman: Then the Treasurer got up and said that there has been no indication from the federal government that this money is not owing and that the applications have been put in and that they're being considered.

Mr Sterling: There's no indication that I'm not going to win the lottery tonight.

Mr Wiseman: It's probably a good guess that you aren't. Now unless you're—

Mr Sterling: That's what we're guessing in the other—

Mr Wiseman: No, you're not, because in this situation, if you have agreements which don't seem to matter a whole lot to the federal government any more and you have expectations that these equalization payments are going to be made, given a certain circumstance, and we're in that circumstance, and then the applications are made, there are expectations that they would be paid within the agreements.

Mr Sterling: You'd better find out something about the program, the formula and how often it's being done. It has been done twice before, once successfully. One province was turned down. The one that was successful only got a part, a very small part of what it requested. What are Floyd Laughren's chances of asking for \$1.2 billion and getting \$1.2 billion? Zero.

Mr Perruzza: Mr Chairman, I'd like to know why the Progressive Conservative Party of Ontario doesn't get on the phone this very minute today, call the Progressive Conservative Party of Canada and say, "Give Ontario what you owe them."

The Chair: Well, the leader resigned.

Mr Perruzza: "Otherwise, we're not going to work for you guys during the next federal election."

Mr Wiseman: Call Kim to send the cheque.

Mr Carr: The sad part is that Audrey McLaughlin is behind Brian Mulroney in the polls. That's how bad it is; he resigned.

Mr Sterling: Bob Rae's behind Mike Harris.

The Chair: Okay, will the committee give some direction to the researcher here as to exactly what we want on page 2?

Mrs Ellen MacKinnon (Lambton): I told the woman. Do I have to sit here and listen to all this garbage?

Mr Sterling: You weren't here to hear any of the other garbage.

Mr Ruprecht: Why don't you tell the researcher exactly what you want to put in the report?

Mrs MacKinnon: We certainly aren't going to put the word "incompetent" in. I'll tell you what you won't put in.

Mr Ruprecht: You got a crystal ball?

Mrs MacKinnon: He's not incompetent any more than anybody else is in government today.

Mr Sterling: Well, you're all incompetent; that's right.

Mrs MacKinnon: I didn't say that.

Mr Wiseman: Was that a "we" or was that "you"?

Mr Perruzza: Point of order, Mr Chairman.

The Chair: Yes, Mr Perruzza.

Mr Perruzza: He said—

The Chair: I didn't hear it.

Mr Perruzza: Well, let me refresh your hearing.

The Chair: I didn't hear it.

Mr Perruzza: Let me refresh your hearing, because Hansard has it.

The Chair: No, it doesn't have to be said.

Mr Perruzza: Mr Chairman, Hansard has it. I'm sure Hansard got it, and we could probably verify that, right?

The Chair: Are you going to repeat something that shouldn't be said?

Mr Perruzza: Yes, I think that what he said was totally and completely unparliamentary and I think that should be retracted or at least apologized for.

The Chair: Okay, we will retract it. Okay, it's retracted.

Mr Perruzza: I think any fairminded honourable member of this Legislature would look at that in light of circumstances and I think that any fairminded person would take that and apologize for it, I'm sure of it, 100%.

Mr Sterling: I've called the Treasurer incompetent before and I'll call him incompetent again.

Mr Carr: If it's incompetent, I'll call him incompetent too.

Mr Sterling: There's nothing unparliamentary about that.

The Chair: Okay, can we get—it's 5 o'clock.

Mr Perruzza: Mr Chairman, part of your function as a Chairman is to uphold the integrity of this place and the executive officers of this place. I think the Treasurer of the province of Ontario is an executive officer of the province and an honourable member of the Legislature, and I think that when that in any way is tarnished or infringed on, it's his responsibility as Chairman of a committee or as an officer of this group, to step in and say: "That's inappropriate, apologize, take it back. Do what any fairminded, honourable member of this place would do."

The Chair: You mean that was the word that you were thinking about? I thought it was a word worse than that.

Mr Ruprecht: Mr Chairman, if it helps the committee, I will apologize.

Mr Johnson: What did you say?

Mr Ruprecht: That's the point.

The Chair: Okay. I guess this committee will be adjourned.

Ms Campbell: Wait a second.

The Chair: Okay, wait a minute. Miss Campbell's confused.

Ms Campbell: The committee will be meeting again tomorrow. What would they like done over the evening, on my part, for tomorrow morning's meeting?

Mr Ruprecht: You're doing great so far.

Mr Johnson: I don't think we should give you any direction, quite frankly, and I don't have any expectation.

Clerk of the Committee: We do have a deadline.

The Chair: We have a deadline of March 22.

Mr Wiseman: How many more times do we meet after tomorrow?

The Chair: We can meet Friday.

Mrs MacKinnon: I can't.

Interjection: No, we can't meet Friday.

The Chair: The committee can meet Friday.

Clerk of the Committee: It's authorized to meet on Friday.

The Chair: It's authorized to meet on Friday.

Mr Perruzza: That wouldn't be bad.

Interjections.

The Chair: But a lot of the members here have other commitments on Fridays, so let's see if we can get through it.

Mr Johnson: If I could just offer this, I know it's tradition around here to be partisan and I guess that's the way it will always be. I guess, being a new member of the Legislature, I thought maybe things would change and I guess I was—

Mr Wiseman: You'll learn what it's like around here.

Mr Johnson: I was just wrong in thinking that. But I think we could put our noses collectively to the grindstone tomorrow and we could probably come up with some kind of summary recommendation to forward to the Treasurer. If we persist in going back and reflecting on what has

happened up till these pre-budget consultations, I think we're going to be doomed to fail in this process.

Ms Campbell: Would the committee like me to work, over the next little while, on the outline as it now appears before you and flesh it out a bit in terms of content? I will take the liberty of focusing on issues that attracted a tremendous amount of comment under each of these headings and put that forward tomorrow morning.

Mr Johnson: If I could just offer, I believe this is what you're saying: If there's a duplication of—

Ms Campbell: Or pick up on some of the major themes that were expressed.

Mr Johnson: Yes, exactly. If you could bring those, I think that would be advantageous for us to start, anyway.

The Chair: Any comments? Mr Carr?

Mr Carr: No.

The Chair: Okay, this committee is adjourned until tomorrow at 10 o'clock.

The committee adjourned at 1703.

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***Sterling, Norman W.** (Carleton PC)

Ward, Brad (Brantford ND)

***Wiseman, Jim** (Durham West/-Ouest ND)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

Brown, Michael A. (Algoma-Manitoulin L) for Mr Phillips

Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud D) for Ms Ward

Perruzza, Anthony (Downsview ND) for Mr Ward

Ruprecht, Tony (Parkdale L) for Mrs Caplan

MacKinnon, Ellen (Lambton ND) for Mr Sutherland

Clerk / Greffière: Grannum, Tonia

Staff / Personnel: Campbell, Elaine, research officer, Legislative Research Service

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**Comité permanent des finances
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Consultations prébudgétaires



Chair: Ron Hansen
Clerk: Tonia Grannum

Président : Ron Hansen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 11 March 1993

The committee met at 1022 in room 228.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): We'll resume the pre-budget consultations by the standing committee on finance and economic affairs. I'm going to hand it over to Ms Campbell here. She has a third draft and she wants to explain how far she's along so far.

Ms Elaine Campbell: Before you this morning you have proposed outline draft number 3. If you read the attached memo, it refers to the six sections that are contained in the outline draft.

Yesterday the committee was unable to come to any final agreement on the first section of the report. However, at yesterday afternoon's meeting the committee did ask that specific options be provided for the final five sections of the paper, and those options now appear in this copy of the draft. At this point there still needs to be agreement on the first section and decisions made on the options to be followed in the final five sections.

The Chair: Comments?

Mr Gary Carr (Oakville South): I would just like to throw out what I would like to see and then see if there's any agreement. If not, we'll go on to the section.

Looking at this, we could start with the debt and the deficit situation. What I would like to see is just basically a summing up of where we're at, what the deficit is, what the accumulated deficit is in a non-critical, "Just facts; here's what they are," way, using the Treasurer's figures and then making a recommendation regarding the debt, which would be something along the lines of, "The debt being what it is, we can't afford to increase it any more." I would even like to go further and say it should be reduced—but to get agreement to say that the debt is a serious problem and it must be held in check.

I don't know if we'll get agreement on that from the government side. But with the whole debt issue, that's what I'd like to do, say here's where we're at, so the public knows and say the debt should become an issue that we can't afford to make any worse.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): That sounds like a reasonable request. If we factually state the position that the province is in at this time, I don't think anyone would have any difficulty with that. From there we can decide what we want to indicate, the direction the Treasurer should take with regard to the circumstances that we find ourselves in at this time.

Mr Monte Kwinter (Wilson Heights): I have no problem with the thrust of what we're talking about. I think that one of the things we have to take into account is that it is totally impractical to come up with a suggestion

that is going to balance the budget. That's silly. It's just not going to happen.

What I think would be useful is if in the same way that the Treasurer in 1990 projected what he thought the financial position was going to be during the life of this government we could come up with a plan—not a detailed plan but a goal, a target—to say here's where we are, this is where the deficit is, this is where the debt is and, as a matter of policy, this government and any other government should attempt to try to reduce the deficit by X per cent every year over the next 10 years with a target that is going to eventually bring it into balance.

I think to suggest, as some of the presenters did, that we should have a balanced budget in one year or two years just isn't practical. It's not going to happen and there's no physical way it can happen. But it would be useful if this committee can come to a determination that the deficit should be reduced 15% a year over the next six years, or whatever it is, and hopefully by the end of this century, we have a balanced budget.

That is a lot easier said than done. I'll tell you, notwithstanding that my colleague over there took exception to the fact that I said by the end of the term of this government the debt is going to be \$100 billion, I think that's a valid assessment. It will be \$75 billion as a result of this next fiscal period, which means that if there are deficits in the range of \$8 billion a year for the next three years—we'll be lucky if we get to that—it will be \$100 billion in debt by the end of the term of this government.

Mr Jim Wiseman (Durham West): I don't disagree with perhaps doing that somewhere, but I'm not sure it should be done here. I think it belongs where you were talking about other things, later on in the document under the recommendations.

Mr Kwinter: I'm not talking about doing it in this particular section; I am just talking about in the document.

Mr Wiseman: Yes, somewhere later on maybe we can do that.

Mr Kwinter: No, I'm not saying where it should happen; I'm just saying it should happen.

Mr Wiseman: One thing I would also like to see, in terms of a statement of where we're at in terms of the deficit, is the breakdown of where we're getting the money from to finance the deficit. I know we borrow some from pension funds and I know we borrow some from some bonds, but the really, really major issue that concerns me the very most about the deficit is the amount of money we're having to borrow offshore.

I would like to see that in the factual statement: How much are we borrowing offshore? At some point I would also like to see, perhaps later on where we do this other thing Mr Kwinter has suggested, if we do it—to perhaps

recommend to the Treasurer that offshore borrowing be kept to an absolute minimum because of the long-range implications of borrowing offshore.

I think it's important that we put in some indication of how much we owe, who we owe it to and in what ways we're getting the money, whether it's long-term borrowing, whether it's short-term borrowing and what kind of interest we're paying. I think we need to know what it is before we can move to the next stage in terms of recommendations.

The Chair: Mr Kwinter, do you agree?

Mr Kwinter: Yes.

Ms Campbell: Am I correct in assuming that the last few comments have been made under the subheading "Debt and Deficit" under "Economic Summaries and Forecasts"?

Mr Wiseman: I think it's under "The Current Situation."

Mr Johnson: Except for the comments Mr Kwinter made. We've agreed they would come later on.

Ms Campbell: My concern is that this section is merely a summary of what the committee heard from the forecasters and from the Treasurer. If there is a need for additional information, is this the appropriate place to insert that type of information, which goes into a breakdown of where the money is coming from to finance the provincial debt?

1030

Mr Wiseman: Why don't we change the heading then? We could put in "Forecast and Current Situation."

The Chair: Mr Kwinter, do you follow? We can't leave it "Debt and Deficit"? You want to change the title?

Mr Johnson: There's no section for what Mr Kwinter has asked for, no section for it to be included at this point in time, right? There's no heading that would fall under. That's what you're saying?

Mr Wiseman: We could say we've heard from a large number of groups and this is basically what they have said. In addition, we would like to add that the committee has raised some concerns about the nature of the deficit, where the money has been borrowed, and this is the information that supplies that. Then out of that we can move to the recommendations later on about how we feel about the advice we're going to give to the Treasurer concerning how to manage it. Is that agreeable?

Mr Kwinter: I have no problem with that.

Mr Johnson: If I could just make a comment, when presenters were sitting before this committee, from time to time there would be individuals who would say that they didn't want transfers to their particular agency reduced, that they felt it was going to create undue hardship for them. In all frankness, they didn't offer us alternatives as to where we could generate revenue or specifically what kinds of reductions in programs should be arranged in order to facilitate the funding for their particular program.

When we come to the final analysis of what we should do, those different viewpoints have to be kept separate in the understanding, very clearly, that no one group came in with the solution to our problem. Indeed, those agencies that want more funding or continued funding from the

province didn't offer solutions as to how we could arrange that or how we could generate the revenue.

Mr Wiseman: Sorry to interject, but maybe that discussion should come when we do transfer recipients, in an open paragraph.

If I'm reading the opposition correctly, what I'm hearing is that what they would like to do is set the economic scenario as it exists now, with an attempt to project to the future, but then structure the rest of the report and the recommendations in the context of the economic situation as it exists now. That would mean, when we talk about the MUSH sector, saying that while we may sympathize with what they're saying in terms of needing money, we would refer them back to the beginning of the paper where we talked about the fiscal reality of the province at this time, and maybe discuss there why it is that we're not recommending increased transfers to these sectors and that we may have to recommend some creative thinking on their part or changes in the way they do things.

I haven't even discussed this with my colleagues, so I may wind up in some trouble later, but I think that on the whole issue of administration at school boards, to be non-political about this point, the whole question about 60%, we need to ask, 60% of what? We may want to include some kind of discussion around, if you saw the article in the Toronto Star on Saturday, how administrations and school boards have just blossomed while the amount of money going into the classroom for the student has really not changed in 15 years. We may want to make some recommendations there in terms of what we think should happen.

My own view of this is that I think the Auditor General should do a comprehensive audit of school boards to look at whether or not they're delivering services based on the premise that the funds are actually meeting the goals of educating children. If they aren't, then maybe that money shouldn't be spent. That's the kind of thing we might want to talk about later.

Mr Carr: I agree. I don't know how many members know, or even care, what our position was on the transfer, but we didn't say yes, give the municipalities more; we said yes, they should be frozen in light of the circumstances, and that was when Harris went on TV last January.

I think the only problem we're going to have in getting it is that what we called for is, yes, you should freeze the transfers, but you should also introduce wage controls in the broader public sector tied to zero as well, so that a school board won't be negotiating 2%, 1%, 1.5%, whatever it is, and then that gets on to the property tax. That may create some difficulty, because I don't think that's the government's position, but I wanted to let you know that we're not going to come into this and say yes, keep the deficit down, and then give transfer agencies 4% or 5% and go wild there.

I want to tell you, when you do this—I had a lot of calls from teachers saying no, you shouldn't do that. About 10 of them called and said that, but I'm prepared, and our leader is, to say these things. Yes, you freeze it, but in order to not download it on municipalities, universities and school boards, this is what we would introduce.

So I agree. I think we should say, and we are prepared and have been since January of last year, that the transfers should be frozen. Where we'll disagree and where we may have to do a minority report is that in addition to that, we call for introduction of wage controls in the broader sector, for teachers, for example.

I just wanted to make it clear that as an opposition we're trying to be constructive and not say, keep the deficit down but give more transfers. I don't know the Liberal position, but if we can get this committee to say yes, transfers to municipalities, universities and school boards should be frozen, then we can go further in our minority report.

The Chair: Mr Kwinter, any comments on Mr Carr's comments?

Mr Kwinter: I don't have a problem with specifics. I have a problem with the general thrust. I think what we have to do is make a determination on the three areas of flexibility. One is taxation. Is there room for more taxes? If the determination is that there is no room for more taxes, that we have reached the tax threshold where we are going to have a citizens' revolt, as has happened in other jurisdictions, then we can't look to taxes as a solution to the problem.

The second alternative is to look at the growth of the economy: Realistically, what is that growth going to be, and what is that going to mean in the way of generated revenue for the province?

Then we have to gear those two to my first comment I made earlier: What is the more practical rate of reduction to the deficit? We come up with that figure and then we have to find that figure, and the only place you're going to find it, given that you make decisions on the first two, is in expenditure reduction. Once you make that determination, then everybody's going to have to fight for their share of what that expenditure reduction is going to be.

I don't know whether it's our role to tell the Treasurer what that should be. I think that's a political decision that has to be made by the government in power about where it feels it can take the most or least heat. I think our role should be—and, again, this is only my opinion—that we should be giving that broad direction to the Treasurer, and then it's his job to come up with whatever response he has to that.

Mr Wiseman: I just want to respond to Mr Carr. I have a great deal of problem with the wage controls, for a number of reasons. They really do impose a hostile climate on negotiations with the various agencies, boards, commissions, school boards and so on, and that, I believe, should be avoided at all costs, because while you may be able to save 2% or 3% or 4% in terms of maybe rollbacks or increases, I think you lose a lot more in terms of hostility and people just bowing out. It's not a rational reaction that people have to wage controls. I was in the system when it was done before.

One thing, though, is that there are some creative things taking place. For example, the John Howard Society in Durham has faced an economic crunch, and it went to each of its employees—there are 37 people who work for the John Howard Society receiving wages—and they

unanimously agreed that each one of them would give up one week's pay to create a fund of money to keep the person working, and that was done voluntarily.

1040

If you were to suggest that maybe we should put examples like this into this document about creative approaches that have been taken in other areas on how things could be done, I wouldn't have any problem with that at all. But I have to say that I would have serious problems with an across-the-board, government-imposed wage freeze or wage reduction, because then I think people will just get angry and maybe not find the creative approaches. But I think solutions could be found, for example, at board levels.

For example, the Durham board is talking about laying off 24 special ed teachers. I think a recommendation from here could be that creative solutions be found, where teachers may voluntarily take a 1% decrease to save those 24 positions. In fact, it wouldn't really hurt them that much, because the income tax level would be moved and they would be paying a little less in taxes. So it wouldn't be an appreciable decrease for them to do it, but it would be something that could be offered up. If you come across and say, "You're going to do it," you're going to get a lot of hostility.

The Chair: The clerk will clarify what Mr Carr said.

Clerk of the Committee (Ms Tonia Grannum): I thought I heard the words "minority report." I just want to let everybody know that, according to the standing orders, this has to be a report of the majority of the committee members, and the opposition can provide dissenting opinions. I know that's probably what you meant, but I just want to clarify that.

Mr Carr: I understood that. What I was trying to do was get common ground, because I knew the government wouldn't. In my case, it was ironic that after I called for this, I had all the calls from the teachers, but then the board held a big meeting and said, "If you don't take two days off without pay, we're going to lay off 75 people." So these creative things are happening.

I don't think we should get specific about that and say, "This is what Durham did," or, "This is what Halton did." In the report, maybe we can say that transfers to municipalities, universities, school boards and hospitals should be frozen. You will say they should be frozen, and then you find money other ways. In the dissenting report—I'll call it that, then—we will say this is to avoid the downloading on property taxpayers, in the case of education. We would go further and introduce wage controls in the broader private sector, whatever.

I'm just going to get some agreement. I didn't think you would agree to that, but maybe this committee will agree to say we should freeze the transfers to municipalities, universities, school boards and hospitals. What I wanted to get at is that we do want to be helpful and not just say, "Let's not run up the deficit but give municipalities what they want."

That's the old way of doing things, because you make school boards happy. They call you up and you say: "Boy, that terrible NDP. If we were in power, we would have

given you 8%." We're saying, "No, we realize that; we'll go further." But I think there is some agreement to say that in the MUSH sector we should freeze the transfers to municipalities, universities, schools and hospitals. That's a first, to get all three parties to agree to it, and I think we can do that.

Mr Anthony Perruzza (Downsview): That's a really good suggestion.

Mr Wiseman: Could I have a point of clarification on that? What we have said is that this year there'll be a base amount plus 2%, and then next year it's going to be the same base plus the same 2%. Are you saying that what we should do is not give them the 2% and just freeze them at the current level, or to do what we have projected and said we would do in the interim statement?

Mr Carr: I would even be willing to go back to what the Premier's going to do. You can argue about that. What I would say off the top, because we're going to talk about the wage controls, is to freeze it the way it is now, and next year you get the same as this year. I know the 2% actually makes less. We can debate whether you want to do that.

All I'm saying is that I think we can get agreement here among the members of this committee to say that the old way of operating doesn't work and that we should freeze them. I guess that makes it so it is difficult for you to then agree, because you're going back 2%.

If I were Treasurer today, I would freeze it at today's levels, not go back 2% next year. But because the deficit is so bad as of yesterday, I would even be prepared to say yes, we should go back to the 2% next year and call it whatever it is, just so people understand it. The problem I've got with this is that my trustees don't even understand it, and they're the ones in the know. They said, "Oh, we're getting 2% this year." And I said, "Well, you know next year it isn't." They didn't even know, so how does the public know? The only problem I've got with this is that I think we understand what is going to happen. I don't think trustees do, quite frankly. When I told them that, they said, "No, that isn't the way it is."

Now, you get into even more detail. My Halton board really doesn't even get that 2% because of various other factors. So it all gets complicated and it's hard for me to say to the public that this is what I'm calling for, because Halton board is saying, "We're not even getting the 2% this year."

Somehow we need to simplify what we mean. I'm open to suggestions, because I'd be willing. The deficit is so bad that I would be willing to agree to the 2% less next year, if we can somehow get that so the public understands it. I don't know how you do that. I would agree to it, but let's just get it so everybody knows what we mean.

The Chair: Tony?

Mr Tony Ruprecht (Parkdale): I'll wait till that discussion is over, because I'd like to present a new item on the current situation.

Mr Perruzza: Chairman, a point on that, just to get it cleared up. If I'm understanding this correctly, what is being suggested is that school boards ask their teachers—because we all know that in most school boards roughly

between 75% and 80% of their total annual budgets go towards paying salaries, mostly teachers' salaries, but there are other salaries grouped in, administrative salaries and that kind of thing. So what we're saying here is that a message be sent to the school boards that they ask their teachers' federations to renegotiate contracts and to recommend that teachers' salary contracts be scaled back. Is that what we're saying? Because I'd be inclined to support that kind of initiative.

The Chair: I didn't hear it that way. Mr Carr can explain it.

Mr Carr: Yes, that's what we called for. If it's already been negotiated, we've called for a rollback. I would be careful, though, because I know Tony Silipo called for this, but I don't think we're going to get the government side to agree to that. If you have authority to do that and we could get you to agree to that—I don't know if we could with the Liberals—then that's great, if we're really doing that. But I'm saying that you'd better be careful, because I don't think that's the government's position. But that's what we've called for.

Let's use Halton as an example. If a wage has already been negotiated for next year, which it has—I forget what the amount is, but they've already negotiated an increase for next year. What we're calling for is for it to be rolled back to whatever the transfer is. If it's 2% less, then it would be 2% of whatever. That's what we have called for. But I just caution the government members that I don't think that's the government position. But if we can get the report to say that and the Liberals to agree to it, then we certainly would.

Mr Wiseman: Could I just interject a piece of information from the Toronto Star on the board of education issue?

The Chair: Mr Wiseman, Mr Johnson had his hand up and you talked right over top of him.

Mr Wiseman: Sorry. I didn't see that.

Mr Johnson: All this cross-dialogue is very good and valuable, but I think it's really important that we get on with the task at hand. I'm not sure under what heading it would go, but I think we could make some opening statements or some statements somewhere in this submission to the Treasurer.

There are some things we already agree on. As I've listened to the dialogue around the larger table here today, for example, I think it's clear that the province of Ontario has not lived within its ability to pay. I think that's evident by the fact that the deficit and the debt have increased as dramatically as they have. I think we could say that in a statement that we would all agree with.

I think likewise we all agree that there has to be, as Mr Kwinter so ably stated, a comment about the deficit and the rate of reduction we would expect over the next few years in order to ensure that the deficit problem doesn't get absolutely out of hand, and then we can go on and make our opinion on taxation.

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We might want to make a statement that we've reached that point where certainly we know, it's evident by the

people who presented to us, that people are quite unhappy with the prospects of increases in taxation, understanding too that there may be some areas where taxes could be increased marginally, but generally speaking, taxation does not seem to be a positive thing for most of the presenters. Of course, as it has also been stated, where there seems to be a need for expenditure reduction, I think clearly that becomes something that the present government has to deal with because it becomes a political issue.

Mr Ruprecht: Mr Wiseman had some comments relevant to this present discussion. I'll wait until a new item comes up at the beginning of the economic summary, so that I can get up as well.

The Chair: Fine, I just wanted to make sure. Mr Wiseman, we want to get on with this.

Mr Wiseman: I think maybe what I'll do is I'll photocopy this article from the Star and I'll give it to everybody. Then everybody can have it and we can deal with it when we do the MUSH sector.

The Chair: Ms Campbell, have you got enough direction now in this? I know we've skipped all over there, haven't we?

Mr Ruprecht: I have one more. Looking at the current situation, I'd like to add one more item there if it's possible. One of the major keys for economic recovery obviously is funding availability by that sector which creates most of the jobs, namely, small business. All of us know, it's been in every paper and every newscast, that the banks are not providing the kind of money that's necessary for economic recovery for small business.

I'm wondering if the researcher can, in the current situation, add one more point here when she talks about the present economic and current situation, whether that might be relevant to point out. So just in case the Treasurer comes up with some idea about economic recovery, he should have that in front of him.

Ms Campbell: So you're asking for the insertion of a statement to the effect that the committee expressed concern about the availability of funding for small business which is deemed a key to the province's—

Mr Ruprecht: One of the keys.

Ms Campbell: One of the keys to the province's economic growth.

Mr Ruprecht: Yes.

The Chair: Do you agree with that, Mr Carr?

Mr Carr: I just maybe need a little bit of clarification. You said funding in terms of—

The Chair: Loans.

Mr Carr: Loans through the Ministry of Industry, Trade and Technology?

Mr Wiseman: Availability of loans.

Mr Ruprecht: I'm saying that the common complaint by small businesses today is they're unable to get sufficient funding for starting up new enterprises, new businesses, and that the banks are not sufficiently providing for those contingencies.

Mr Carr: The only trouble I've got with that, of course, is that the broad statement sounds nice, meaning that MITT presumably would make funds available, but the problem is with the number of small businesses and the pool that would be there. We've already got that with the venture capital fund right now and presumably, the ones who sat on this committee, that was for small businesses to access. The problem is there are more small businesses that want it. If you made it \$3 billion, there would be enough out there.

If you were going to give any type of relief to small businesses rather than putting this pool of money that these small businesses will then try to access—and the ones that get it are the ones that can lobby their MPPs or MITT the best—personally, I would say whatever amounts you were going to give, whether it's \$250 million, \$200 million or whatever in this pool, I would reduce the employee health payroll tax by a similar amount, starting with the smallest up, until you ran out of \$200 million or whatever. I know we're debating points because we can all say, philosophically, we should make more money available to small business.

The Chair: Mr Ruprecht, if I understood right, it was a simple statement to the point that small businesses, when they knock on the bankers' door, they say no. I don't think he went into all the other details there.

Mr Carr: Just quickly, I was going to say I wouldn't agree with that because I don't see how it works. Philosophically, nobody could disagree in this room. I don't see how it works and I don't see—maybe I'm new school or whatever, but I don't see putting stuff in a report unless there's something really workable and something the Treasurer can say, yes, that's good, nice little philosophical—and this isn't any knock against Tony because I know what he's saying. He may want to see the report broader, but I just don't think that would work.

Mr Norm Jamison (Norfolk): I'd just like to comment because that seems to be a specific area of concern for me. You're absolutely correct when you say the banks have tightened up their lending policies over the last while, and banks normally do that during a recession or doing a period of time of higher-than-normal risk. The small business community is traditionally a much higher-risk venture.

The previous government, to its credit—and I'd like to say that—set forward the new ventures program, and the problem we've developed in doing that and in spreading small business self-help offices throughout the province, 28 now, is that the banks are administrators of the guarantees we give, dollar for dollar up to \$15,000 on a startup basis. What we have found, and the complaints have come in steadily over the last two years, has been that the banks are administering that in a very, very tight-reined, tight-fisted manner.

To that end, I think we should be indicating two things at this point: broaden the scope of participants as far as the lending end of the situation goes; broaden that to try to include other moneylenders such as credit unions and caisses populaires.

The other point I think I'd like to make is that in a great sense small business is very locally based. They are the driver and the creator of the vast majority of jobs in the province. There should be some ability to administer those loans, possibly not directly through the banks but through a community-driven force that is community based. That avenue should be looked at because I agree with both of you that the system as we have it now doesn't seem to be serving the needs because of the restrictive policies of the banks at this point in time.

The Chair: How do you read it there, Ms Campbell?

Ms Campbell: I have a couple of questions. If the committee is interested in making a statement to the effect that it has some concerns about the situation regarding small business, is it not perhaps better to put those comments under "Economic and Fiscal Policies"? Also, correct me if I'm wrong, but a lot of the lending institutions are regulated by the federal government as opposed to the provincial government, and if this is a report to the Treasurer—or is this maybe just a statement of concern on the part of the committee as opposed to a recommended action to the Treasurer?

The Chair: Mr Ruprecht, you say it's a statement; this is what's happening in the real world.

Mr Ruprecht: Yes, my point really is that it doesn't matter to me how you put it in there, but it seems to me if this committee, the finance committee, does not at least look at that issue and tell the Treasurer this is a concern, then in terms of the committee's relevance it may be questioned.

In my experience as an MPP in my area, I get many people calling me about their inability to get loans. Somehow the Treasurer would have to look at that in whatever fashion. Even though it may be just one statement in here, at least he should be made aware that he should be looking at it. However he can do it, it doesn't matter; under whatever heading you want to put it doesn't matter to me either, but I think it's an important part.

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Mr Carr: What I would agree to—and I think everybody agrees with this, because we've heard this many times, not only this committee but the venture capital—is basically to have somewhere a preamble stating that the job creation of this province is the small and medium businesses, that they are a big factor, that we see the future job prospects in that area, not exclusively, but that the Treasurer should do whatever, however Elaine wants to word it, to enable the small and medium businesses to grow and thrive and prosper and create jobs and so on. I would have no problem with that.

Where I would have the problem is if we got specific and said that we should somehow have any more type of loans for small and medium businesses or whatever, but I have no problem with right at the very front saying that this committee agrees that the small and medium business sector—and for those of you who weren't here, I just came from meeting the small business group of the Ontario chamber—somewhere a preamble saying that we recognize, and the Treasurer should recognize, which he does, and the government should recognize, that the small and medium businesses are going to be the engine to drive our economy.

If Elaine can put it some way, and I think she's got the drift now, I would have no problem. Where I would have a problem is if we said the way to do that is to give them loans or guarantees. I don't think that's the way to do it, but I have no problem with a preamble statement like that, although my colleague may.

The Chair: Okay, I've got to go Mrs MacKinnon next here.

Mrs Ellen MacKinnon (Lambton): I'm really not sure where this is at. We seem to be bouncing around. But under "Debt and Deficit," would it not be helpful if at some point we were able to point to a number and say, "This is what it costs to service the debt, service the loan." An awful lot of people out there don't seem to comprehend that if you borrow \$1 billion, it might cost you \$1 million a day to keep that loan paid off in interest, if you get my drift. Finance and economics is not my forte, but I think I can—

Mr Ruprecht: Oh, I thought it was.

Mrs MacKinnon: Well, I used to have a household budget that my husband could never understand and I never was able to keep to anyway, so why should it be any different here?

Mr Carr: My wife—we should let them get together.

Mrs MacKinnon: Oh, I'll show your wife how to run her household budget, and you wouldn't like what I do.

Mr Ruprecht: You show me how to run your household and you'll be a good member of this committee.

Mrs MacKinnon: I think we should be able at some point to show our constituents: "This is how much we owe, this how much it costs to pay the interest. Which do you want us to do, pay off the debt, pay off the interest, or what do you want us to do?"

The Chair: Those are in the reports that come out from the Treasurer, if you can read all the lines.

Mrs MacKinnon: Are they public? Will they be in the budget?

The Chair: No, they're not in the budget. Mr Jamison.

Mr Jamison: Just a comment. I think we have to be careful when we say that small business is the future of the province. There has to be an understanding, and I think Mr Kwinter would agree, being one of the previous ministers of what used to be MITT, that there is a correlation, a direct connection between small business and large business. But to simply put all your eggs in one basket and say that's our future—yes, they're creating most of the jobs, but certainly, for example, if you were to look at Algoma and have Algoma fold, the direct connection in the reverse terms would be a direct and miserable effect on the small business community.

I think we have to recognize that there's a connection throughout with large and small business, but identifying that the major job creator at this point is in fact the small- and medium- sized business community. Our definition in the province for provincial purposes, and I'm not sure it's correct to do this any more, is recognizing a small business at 100 employees or less. I'm not sure that that's probably

an adequate way, with technology and so forth, to really recognize—

The Chair: Mr Jamison, I know it's another statement, but we've got to get going on. That was only a one-line statement that we had that there's a problem out there loaning money, and I've got to go to Mr Sterling, if we can get on to this report.

Mr Norman W. Sterling (Carleton): I'd like to get on with the report too. I don't think that whether banks lend or don't lend money to small businesses is relevant to our report. That may be good advice. First of all, banking is a federal power and I think we should concentrate our efforts here on advice to the Treasurer on things which he has control over, and therefore I think we should get on with giving him advice.

The Chair: Mr Sterling, listening to all the discussion here, what seemed to come out was that small business has a problem kickstarting because it's having problems getting money. If they were able to get this money, then they would be able to hire someone, which would take someone off, say, unemployment or welfare. This seems to be the problem. I think that was just sort of a general statement to tell the Treasurer there are some problems on this kickstarting.

Mr Sterling: But the Treasurer can't do anything about it, so why tell him?

Mr Ruprecht: No, he can.

Mr Sterling: What can he do?

Mr Jamison: I don't believe that.

The Chair: But if he's doing a forecast.

Mr Sterling: If you want to advise him to write to the federal government to tell it to tell the banks to lend money—

Mr Jamison: No, that's not what I'm saying, Norm. There are other avenues.

The Chair: Mr Sterling, maybe it is that when he's doing the forecast, he's looking at revenues. It does have an influence on his revenues because there's a problem out there. That is, I think, the direction.

Mr Sterling: If we spend an extra day here, he's going to have to find some more money to pay us to sit here for an extra day. Everything relates back to his budget, I grant it, but let's get down to the key figures here, the key questions that we're to talk about here.

Mr Ruprecht: So we'll just put a general statement then.

The Chair: Okay, we've got the general statement there. Let's carry on.

Mr Perruzza: Mr Chairman, the statement I'd like to see on debt and deficit is that on the deficit side we recognize that during hard times governments just simply can't turn their backs on the people they were elected to serve, but have to cushion the blow of hard times and recognize that in some cases deficits are acceptable. Certainly, they're acceptable during hard times. We have plenty of historic lessons to teach us that. One can only think back to the Depression, to the Roosevelt days, the New Deal and

all of that. It was essentially deficit spending that got the United States and Canada out of the Depression of the 1930s.

Recognizing that, we also have to understand that we can't just simply let the debt or the deficit run away with itself, because what'll end up happening is that in order to service the debt we will be siphoning money away from much-needed programs that in fact help people during difficult times. That's the kind of statement I'd like to see in that section, that while it's acceptable during a recession to carry a deficit, that deficit has to be held in check and not just simply grow beyond a government's capacity to service it, because then you end up hurting the people who—

The Chair: I think Mr Kwinter already went over that earlier this morning.

Mr Carr: I was going to say that what I would rather do to make it short and simple is leave the preamble out and just say, "This is what the deficit is." I appreciate people need to know what the servicing is, just some facts as to what the accumulated deficit is. "This is what it is projected at this year," \$13 billion as of yesterday. "This is the accumulated deficit of the province. This is what it costs to service it." I know Elaine can do this. She's probably done some of the work. I've even got it down to what it costs per hour.

The Chair: Yes, we heard that.

Mr Carr: You can get what it's serviced per day. I used that figure. If you want to get into that, just so people know, when I tell them what it is to service it per minute, not for health care or education, just to service the debt, people don't realize that. At the pre-budget hearings in Windsor, when you saw, in the five minutes that I had to ask questions, that it was more than people are making as income, it really hit home.

I would suggest we do that—Elaine's done it for me in the past, or certainly that department—so that people realize, because picking up on what the other side said, if we do that, I don't think we need a preamble. Just say, "This is where we're at." We'll use the Treasurer's figures: "This is what the budget's going to be. This is what our accumulated deficit is. This is what it's costing you to service it." The only thing I would say is, let's not put in the preamble why it's good or bad or whatever. Just say, "This is it." That other stuff is nice to say, but I don't think it's relevant. That's what I'd like to see in it, and then whatever you want, go from there.

Mr Johnson: Under the very next title, "The Future," should we maybe not include something that would show us what a no-change scenario would mean for the province of Ontario?

Mr Carr: If nothing were to change?

Mr Johnson: Yes, if nothing were to change?

Mr Carr: I have no problem with that.

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Mr Wiseman: Also, could we include—I don't want to be left out—domestic and offshore borrowing? I'd like to see those numbers as well.

The Chair: I thought we already went over that. I think that's down already.

Mr Wiseman: Fine. Just as long as it's there.

Ms Campbell: Just to recap, under "Economic Summaries and Forecasts," under the subheading "Debt and Deficit," the committee would like a summary of the comments and concerns expressed by the forecasters who appeared before the committee. It would also like to supplement that information with some additional facts and figures about the actual size of the provincial debt, the cost of servicing it and further information about domestic and offshore borrowing.

Mr Wiseman: Yes.

Mr Carr: Yes. The other thing I would caution about is that when we do the economic forecasting, I don't know how you do it when you add such a big range. I don't want it to be—again, I think I mentioned this yesterday; even if it could be; I don't know what you planned on doing—a table of all of them. I just didn't want to get you to pick the TD or the Royal, and I know you won't do that. But if you can somehow get some consensus—I don't even know if taking the range really gives it to you. I don't know how you planned on doing that.

Ms Campbell: Are you talking about using the information that was provided to the committee—

Mr Carr: Yes.

Ms Campbell: —or going out and doing additional research?

Mr Carr: No, I would say what was provided by the committee.

Ms Campbell: Just focus on that.

Mr Carr: The only thing is that we've got a wide range. What would you pick? How do you see it working? Would it be the range? Are you going to incorporate the range, the growth rate, as it came in, from the high to the low? I don't know how you saw it happening.

Ms Campbell: Would you like a statement added within that particular section about the committee's concern about the deficit situation?

Mr Carr: Yes. I'm prepared to support that, in a broad sense just saying that we have to be concerned about that.

Mr Wiseman: I think we leave the recommendation that flows out of that to later on, though.

Mr Carr: Yes. We'll use the word "horrified."

Ms Campbell: Under the subheading "The Future," I just heard that you would like that information supplemented as well. I guess I need further clarification on just what it is. I think Mr Johnson mentioned something about what would happen if nothing were to change. Is that to mean if there nothing was to happen to the provincial deficit?

The Acting Chair (Mr Paul Johnson): If there was a no-change scenario; that is, if we continued to spend under existing programs as we have and if we continued to borrow at the rate we are and if our revenues continued to be as low as they have been.

Ms Campbell: So I will abstract comments related to that from what the presenters said to the committee, if it's there?

The Acting Chair: Yes. I think the information is available, or at least it wouldn't take a whole lot of extrapolation of some graphs to determine where we'll be year after year for maybe the next four or five years.

Ms Campbell: So you're asking for the insertion of graphs? A graph?

The Acting Chair: I think that would be fair, if everyone agrees.

Mr Carr: I'm sorry. I didn't catch that.

The Acting Chair: Would you agree to a graph that would show what our circumstances will be year after year for the next four to five years, if there's a no-change scenario?

Mr Carr: Yes.

The Acting Chair: Do you understand what the no-change scenario is?

Ms Campbell: I think I've heard it mentioned a few times.

The Acting Chair: Okay. Does that now conclude the input we want to have? Will you have enough information for the economic summaries and forecasts?

Ms Campbell: I think it should be possible to put something together. If I do have some difficulties, I will consult further on that.

The Acting Chair: The next topic of this brief is "Economic and Fiscal Policies." Any additional comments on what's already noted in this brief, in this draft?

Ms Campbell: At yesterday's meeting, I think Mr Kwinter was expressing some concern on being able to link the forecasts presented by the people from the banks and the consulting firms with the following sections of the paper. I would suggest attempting to do that in this particular section and opening with a statement linking what the committee heard from the forecasters, including the Minister of Finance, with these policies and with the presentations of the other witnesses who appeared before the committee.

I also suggest, under this heading, that the remainder of the section focus its discussion on possibly two issues that were raised by the witnesses and which the committee feels are pivotal to the province's economic growth, or perhaps representative of the concerns that were presented to the committee. I've listed some possible topics here. I don't know whether the committee would be agreeable to reference to both of those issues or not. Perhaps there are some others they'd rather focus their attention on.

Mr Carr: I liked it and I think we talked earlier, before we got going, about the taxation one that was listed there. I'll just throw my points of view in on that. I think it should be in there. What I think I heard us talk about a little bit before is that everybody has said there can be no tax increases. What I would suggest we call for, and I don't know if the government can agree to this or not, is that this committee suggest to the Treasurer in a preamble, saying that in light of what we've just seen in terms of revenue dropping, and however Elaine wants to word it, this committee recommends that there be no tax increases in the next provincial budget.

We, of course, would be prepared to support that. I don't know if the government can, but I think taxation is very important. As you know, it was one of the big issues when everybody came in. We would like to say that having heard from the people, we recommend there be no tax increases in the next budget.

Mr Jamison: The report would simply handcuff the Treasurer in the area of tax, totally. I believe that all of us realize the sensitivity that's out there in the general public as far as tax increases are concerned, and I think we should specify that there is a concern over tax burden at certain levels in the global market sense, that any considerations in the area of tax should be looked at with a sensitivity towards that aspect of the situation. To say *carte blanche* that there simply would not be any form of tax increases doesn't leave any discretion, then, to the Treasurer at all. The tax area, of course, is a major area of discretion. We're saying use the discretion in a sensitive way.

Mr Carr: Can we get a compromise like this, then, saying no new net increase, so he can arrange it? How would that be? I know what you're saying, "No new tax increases." How about if we go, "No new net," as a compromise? That says, "Okay, if you can, tax somebody else to whatever." How about, "No new net tax increases," so the bottom line stays the same? How about that as a compromise?

Mr Jamison: Again, I think we should be pointing out to him the sensitivities in that area. I think that in itself sends a message from the committee. But to really get into pre-budgeting the tax measures or non-measures that are in the budget I think handcuffs him totally. That's a signal from us that would handcuff him in making the assessments, and there are assessments that have to be made. We point out that the whole tax area is one of great sensitivity, considering the global changes, considering the sensitivity out there in the public and the ability to promote as speedy a recovery as possible.

Mr Johnson: I just want to know if, under the table of contents, it would be appropriate under this heading to put in concerns that have been raised already, more specifically with regard to accounting and disclosure, because I know that when you put down that possible topics are capital spending and federal-provincial relations, not every province or the federal government does an accounting procedure that's exactly the same. When we talk about capital spending, that's something that would come under the broader topic, maybe, of accounting and disclosure. Is that appropriate?

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The Chair: Mr Carr.

Mr Carr: Now I want to comment on that. I didn't want to jump around; I just wanted to see if we could get one more compromise with Norm on the tax situation. We can agree with the preamble. I would like to have said no new taxes or no new net. What if we say that in light of the tax fatigue—whatever you call it—we call on the Treasurer to look first at spending rather than increasing taxes; a broad statement that Elaine could do saying that if you don't want to freeze taxes or freeze net taxes, we would

encourage the Treasurer to look at spending controls further before tax increases. I don't know if you could agree to that or not. Then we'll get back to Paul's, if we want to keep this going on topic.

The Chair: I'm going to go to Mr Kwinter, then over to Mr Wiseman and then to Mr Perruzza.

Mr Kwinter: I just wanted to comment on Mr Carr's call for no tax increases. I don't know whether it's appropriate for us to say that. That's the one thing the government has the discretion to do, that is, to tax. But I think it would be absolutely incumbent upon us to bring to the Treasurer's attention the representations that were made to us. As far as the business community is concerned, it thinks it's in one of the most overtaxed jurisdictions in North America, and I think it's fair to say that the average citizens feel they are at the threshold where if taxes go any higher they are contemplating a tax revolt. I think it's important that we certainly send that message to the Treasurer. He is going to have the ultimate decision as to whether or not he's going to increase taxes, but he should be aware of the climate that is out there and I think it's important for us to bring that to his attention.

Mr Wiseman: I would like to say that the province is going to need increased revenue. I would like to see perhaps a recommendation that the Treasurer look at where there might be some areas where the reduction of taxes could actually generate an increase in revenue by stimulating some demand in an area. I think it might be a good place to put that in at this point. We were talking about it earlier. It's called the Laffer curve, where tax fatigue comes in and people actually avoid taxes as taxes increase, and as you increase them more, the amount of revenue coming in decreases.

Mr Johnson: Diminishing returns.

Mr Wiseman: Well, it's the law of diminishing returns that Laffer applied to this. I think we might want to draw the Treasurer's attention to looking at scenarios where the reduction in tax would actually lead to an increase in revenue.

Mr Perruzza: On this taxing section, recognizing that obviously, as a government, we have the right to tax, I'm not going to be a supporter of what was said by my Liberal colleague in saying that we're one of the highest-taxed jurisdictions in North America, because I don't believe we are. However, having said that, I don't believe for one minute that just because we're not the highest means we can continually go to tax. I'm proud of the fact that we're not the highest, and I'd also like to work to ensure that we never become the highest; in fact, if anything, that we roll back the tax burden our citizenry pays.

Having said that, for any movement in taxes I would like to see that one principle be at the heart of any new tax, and that's the principle of fairness. The Treasurer started something in the last budget which was very interesting. For the first time, he essentially stayed off the backs of middle-income earners and low-income earners by introducing a tax that essentially was at the top end. If any new taxes need to be introduced, I'd like to see a strong statement in our report that suggests that that tax be paid by those who can most afford to pay and not by those who

can least afford to pay. Simply by virtue of numbers, we know that the largest number of people belong to that middle- and low-end pool. That's where all the money is and that's where governments tend to generally go for their revenues.

I'd like to think we're slightly different, that we look at that small pool at the top, and if we have to go after that in an aggressive way, then so be it, if we need the money. That's what I'd like to see happen. I would hope that no new tax increases be in the budget, but if there have to be, that they not be on the backs of the working poor or middle-income earners, that they be at the top end.

Mr Sterling: First of all, I think it should be pointed out that the Treasurer increased income taxes for people making \$10,000 a year in this province last year in his budget. It was pointed out by ourselves in the House that they had been given a break by Brian Mulroney and the federal government, and this government took it back from the working poor. That's how this government deals with—

Mr Perruzza: There's—

The Chair: Mr Perruzza, you had the floor before, and Mr Sterling was very quiet.

Mr Perruzza: Yes, but he's talking about Brian Mulroney giving a break to the poor.

The Chair: He has the right to make an opinion.

Mr Sterling: That is the fact.

Mr Perruzza: Even when that opinion is totally misleading?

The Chair: If you want to put your hand up and comment after, fine and dandy.

Mr Perruzza: Okay, that's what I'll do.

The Chair: I've got Norm next, though.

Mr Sterling: The fact of the matter is that if one wants to examine the record, the federal government gave all of our taxpayers, including the low-income taxpayers, a break on our income tax rates. What happened? Last year, the Treasurer came in and scooped that up to the penny, taking \$45 off somebody who earns \$20,000 a year in this province. That's how this Treasurer has dealt with the working poor, the people who are trying to struggle etc. It's a joke that this Treasurer is kind to those who are earning less, and I take great offence at that.

Second, the fact of the matter is that we are the highest-taxed jurisdiction in North America, when you add municipal taxes, provincial taxes and federal taxes. We are taxed out of our minds. I think it would be irresponsible for us not to make a general statement about taxation, a general statement about expenditures and a general statement about deficits.

The Chair: Make it a very simple one, Mr Sterling.

Mr Sterling: Those are the three major areas the Treasurer has to consider, and I think the committee should try to reach a consensus with regard to all three of those.

The Chair: Mr Jamison.

Mr Jamison: If we're going to consider making statements of that nature, I think it is important to indicate that if any form of tax increase were to take place, it would be

on a graduated basis and not on the basis of a GST, for example, which applies to everyone, rich or poor, equally. That issue is one I think Mr Perruzza was trying to approach, that if taxes are increased, it has to be done in a sensitive manner, and graduated increases are more fair in their application. Certainly that has not been the experience of any major tax that's come forward federally or any cut that's come back on family or child assistance over the past. The best option there is to indicate that that's a very sensitive area: The whole question of taxation is very, very sensitive, more so than it ever has been.

The Chair: Ms Campbell.

Mr Perruzza: Mr Chairman, I thought you were going to give me an opportunity to respond. You said, "Put up your hand and I'll give you a chance to respond."

The Chair: I will give you a chance. Ms Campbell has some comments to make, and she's not the opposition or the government.

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Ms Campbell: I'd just like some clarification at this point. The discussion that has been continuing for the last few minutes seems to be focused on the issue of taxation, which was the third heading in the outline. We seem to have moved from economic and fiscal policies directly to taxation. My question to the committee is, would the committee like there to be discussion about the issue of taxation in the form of a paragraph and a recommendation under the heading "Economic and Fiscal Policies" rather than having a separate section?

Mr Perruzza: Do I get the floor now, or no?

The Chair: Mr Johnson.

Mr Johnson: Maybe in the interest of isolating taxation as a separate idea in this report, it should be under its own heading. Taxation is fiscal policy.

Mr Carr: Mr Carr, do you agree there should be a separate heading "Taxation"? Because we got into taxation and just flowed right out of the other.

Mr Carr: Yes, we flowed right out.

The Chair: And Mr Perruzza has a few comments to make.

Mr Perruzza: Just on that note, I think that would be good. I'm not going to repeat my particular preference for the statement I'd like to see happen there, that the key and central to any statement applied therein should be the issue of fairness and ability to pay. That's something I've always profoundly believed. Any tax measure that doesn't reflect that is, in my view, abhorrent. But just to correct the record slightly—

The Chair: As you can see, the researcher—

Mr Perruzza: Mr Chairman, I didn't interrupt you, right? You interrupt me all the time.

The Chair: Mr Perruzza, I just want to say—

Mr Perruzza: It's Perruzza, with an "a" at the end. Here's the name; you read it. I didn't interrupt you, but if you want to continually cut me off, go ahead.

The Chair: I was just going to make a comment that the researcher already has down what you said earlier, so you don't have to repeat it.

Mr Perruzza: I know what I said.

The Chair: Okay. Go ahead, Mr Perruzza.

Mr Perruzza: I'm through.

Mr Kwinter: In response to Mr Perruzza, the only problem with his logic is that unfortunately in our society we don't have enough rich people. That is the problem. It's one thing to say we need to be fair and you've got to tax the people who are able to pay. We do that now, and we tax them at a progressively higher percentage. The more you make, the higher percentage you pay. But again—I'm not trying to be facetious—unfortunately we don't have enough rich people to carry the burden. Also, when you talk about the law of diminishing returns, in our society they are the most able to move: They have the greatest flexibility as to where they generate their income and where they report their income. It becomes self-defeating.

I don't think anybody objects to fairness. I just think there's a practicality. Under our system and under our way of life we have to spread the load over everybody, also recognizing that those who can afford to pay should pay. But you can't dump it all there, because it defeats itself.

Mr Carr: I want to be specific about the fairness issue, that taxes should be fair. We had this discussion before. As you know, in the last budget a surtax of 14% went on anybody making \$53,000. People believed that \$53,000 was middle-income. Jim and I were debating whether that is or not, but in Oakville that's the average CAW worker at the Ford plant.

Mr Johnson: Gee, I don't make that much.

Mr Carr: I know, MPPs don't. But when you talk about fairness and say it should be fairer, the people working in the Ford Motor Co who got hit with the 14% surtax on top of all the other taxes would say it isn't fair. If we're going to talk about fairness, what I would suggest we do is use that one at \$53,000, the 14% surtax. I'm not talking about the lower tax and what happened with the federal and provincial, but we all know there was a surtax of 14% at \$53,000. I would agree to the fairness issue if we said that we should reduce that surtax on anybody making \$53,000, so that the Treasurer knows that when we say fairness we mean people in that \$53,000: the average worker at the Ford Motor Co plant. I would suggest that we suggest to the Treasurer that he roll back that surtax on anybody making \$53,000.

The Chair: Any comments on Mr Carr's statement?

Mr Johnson: Yes, I do. I don't think we could agree with that. Again, when we talk about the specifics—generally we can give advice or direction to the Treasurer but now you're bringing up a specific and I don't think that was stated by any of the presenters and something this committee should do.

The Chair: Mr Carr, could you put it—

Mr Carr: Pas wouldn't get hit then.

The Chair: Mr Carr, maybe you could put it in a different way.

Mr Carr: No, what I was getting at is that—and this is a difference of philosophy in the report. I agree we should be more specific. Paul obviously says we shouldn't and there should be generalities, but to say the tax should be fairer, I mean, everybody agrees to that. But when you need to get specific, what is fair to the \$53,000 Ford Motor Co worker and what the government is, and I'm just saying when you say words like "taxation should be fair," it's absolutely useless, because people are so cynical now.

What I would say as a compromise in this whole issue, because we've gone back and forth on the taxation long enough—if we could get agreement on this, as I think we can, and then move on. We'll incorporate other stuff that we can't agree on here and we may in our minority call for that and so on, but what I would suggest we do is come up with a broad statement saying that the people of Ontario through these submissions have said there's a tremendous amount of tax fatigue and that the Treasurer should be—I don't know what words we should use, but be very careful regarding the taxation issue because people are fed up with it. How we word that to get agreement is the big question, but I think Elaine can get the drift of that, saying taxation was a big concern among all groups and that the Treasurer had better be very careful looking at that area because there is tax fatigue out there. Then maybe we should just move on because I don't think we're going to get any more agreement than that from the—

The Chair: You know, \$53,000 is a little bit misleading, I think, because—

Mr Carr: Yes. No, take that out. Don't include that—

The Chair: —the thing is that you've got RRSPs, you've got personal deductions. You're up in the \$70,000 plus, so it's not really a true fact.

Mr Carr: You're up into the Chairman of committee's facts.

The Chair: And I don't think all the Ford workers down there are making that kind of money today.

Mr Carr: In overtime.

Mr Johnson: In fairness, clearly it's an arbitrary sort of comment and what any one of us believes to be fair someone else might not.

Mr Carr: Yes, if you hit me it's not fair; if you hit him, it's fair.

Mr Sterling: Yes, I was going to say the same thing. Fairness to me means I don't get taxed. That's what it means to the people.

The Chair: Okay, we'll have the researcher—go ahead, Ms Campbell.

Ms Campbell: Could I get clarification on the recommendation that the committee would like to put under the heading "Taxation"? Should it incorporate concerns about fairness and sensitivity to the needs of the people paying taxes as well as the business community in the business climate?

Mr Carr: No, I wouldn't agree to that, because fairness—as we saw, we can't agree what it is. You know, fairness—

Ms Campbell: Would sensitivity be a better word to—

Mr Carr: No, I wouldn't even say that. What I'm saying in terms of the statement isn't saying that we should even tax anybody else on a fair basis. I'm saying, if you want to get specifically what I would agree to, and I don't know if the other side could or not, words to the effect that the committee heard from all groups, or from many groups, and you can list them or whatever, regarding the taxation issue and that there was a tremendous amount of concern out there about taxation levels and I would even be prepared to say at all levels.

Mr Johnson: That's true. That's what we heard.

Mr Carr: So we can include federal, provincial, at all levels, and that as a closing saying the Treasurer should—I don't know what words we use—look very closely before we raise the taxes or whatever. In other words, be careful about taxation and how you want to word that—

Ms Campbell: Exercise discretion?

Mr Kwinter: Well, he always exercises discretion with taxes. I think he should exercise caution and be mindful of the fact that all sectors have indicated to this committee that taxation is a major concern to them and that they feel we are losing our competitive advantage because of the level of taxation. That isn't just companies, you know; it has to do with people. I hear more and more from multinationals saying they can't get their people to come to Ontario because the tax bite is too high. Until recently most major league ball players had in their contracts that they could not be traded to the Blue Jays, and the reason they had that—

Mr Johnson: That's absolutely—

Mr Kwinter: No, it's true.

Mr Carr: Until they won the World Series.

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Mr Kwinter: Even then. They had it in there because they did not want to subject themselves to the tax regime here compared to the tax regimes they had in other places in the United States. It's quite true that a lot of them still have it to this day in their contracts. I shouldn't say just Ontario; they won't go to the Canadian teams because of the tax regime.

The Chair: It's just the different way it's treated here in Canada.

Mr Kwinter: It's not the different way; it's the amount.

The Chair: You can't spread it over as many years as in the United States.

Mr Kwinter: No, it's just the basic tax is much higher. This is the same problem that executives have when a company wants to move an executive from an American facility to Canada and he says, "No way, I'm not going to Canada and pay those taxes." If you take a look at the on-average take-home pay of people in the United States compared to on-average take-home pay in Canada, you'll find an incredible discrepancy, plus the fact that you can deduct things like your mortgage payments from your tax returns in the United States; it's a taxable deduction.

The Chair: If we go into that, that's quite deep, because we're talking about health care benefits, we're

talking about safe streets and we're talking about parks, and it's hard to compare.

Mr Kwinter: I'm not suggesting we go into it in detail. All I'm saying is that the Treasurer should be mindful that it is a concern and a problem and that it's something he should be aware of if he's going to be looking at taxes.

The Chair: The image of the tax bill, but there are a lot of side benefits.

Mr Kwinter: The reality of it, not the image.

Mr Carr: Could I just reaffirm, because I think everybody heard it and I saw Paul's head nodding, to be non-partisan and non-political, if we could just say, "As a result of taxation at all levels," so that we get everything in there, because it is the bottom line.

The Chair: I think Mr Sterling said that about an hour ago.

Mr Carr: I just want to make sure that's in there.

Ms Campbell: Could I ask one further question about the heading "Taxation"? I think I'm fairly clear on what the committee would like to recommend under this heading. What would the committee like in terms of content in any paragraphs discussing the issue of taxation? I've proposed two options under this heading to discuss, perhaps briefly, two specific taxes or look at taxation as it relates to one or two of the sector representatives who appeared before the committee. In the case of agriculture, we heard from the Ontario Federation of Agriculture and the Ontario Flue-Cured Tobacco Growers' Marketing Board, who both discussed the issue of taxation as it related to their particular areas of activity. The Canadian Manufacturers' Association also discussed the issue of taxation with respect to research and development.

Mr Carr: I would like to get specific, but I don't think we'll get agreement with retail sales tax since I couldn't get agreement on no new taxes. I would like to say, let's do retail one by one. We'd get Ron to agree on the tobacco tax and a couple of others, but I don't think we'll get the government to.

The Chair: Ask me.

Mr Carr: So if we can, let's just make it general.

Ms Campbell: The sectoral?

Mr Carr: Yes.

Ms Campbell: And which sectors would the committee like to refer to?

Mr Carr: No, say "general," the first point that you have there; say that for taxation in general, there were many sectors, including business and taxes.

Ms Campbell: Just a paragraph of comment?

Mr Carr: Yes, that's what I'm suggesting, because I think that's all we can agree on.

Ms Campbell: Does the committee agree with just a paragraph of comment?

The Chair: Are you agreeable, Mr Kwinter? Would you like to make a comment?

Mr Kwinter: I have one other comment. It is my perception, and I wasn't at the hearings when we travelled

outside of Toronto, but one of the main things that came out on taxation was the issue of harmonization of the retail sales tax and the GST. I think that is something we should have some kind of a statement on, because it seemed to me that messages came through pretty loud and clear from several of the deputants. I don't know whether anyone has any comments on that.

Mr Carr: I'd agree with that.

Mr Sterling: I think that a good statement would be that the committee now agrees with the Conservative position in a minority report two years ago that we combine the GST and the PST.

Mr Carr: Articulated by Norm Sterling.

Mr Johnson: I wouldn't agree, so there we've got a problem.

Mr Carr: How about without the preamble? Would you agree with that?

Mr Johnson: The problem I have is that I think it was reprehensible of the federal government to bring in the GST and have a retail-like sales tax that was already being applied in the province of Ontario to compete in Ontario. We know that it wasn't seen as a very positive tax by almost everyone in Ontario. So to now suggest that we harmonize those, when we know that there are indeed advantages for the people of Ontario by not harmonizing the GST with the PST, I don't agree with that.

Mr Sterling: Why don't we put in that we would like a manufacturers' sales tax instead of the GST?

Mr Johnson: Depending on who gets in during the next election, that may be revised.

Mr Sterling: Is that okay, Paul?

Mr Johnson: Pardon me?

Mr Sterling: Should we put in a manufacturers' sales tax instead of a GST? Is that what your choice is?

Mr Johnson: I didn't offer a choice.

Mr Sterling: You can't have it both ways.

Mr Johnson: I think the people of Canada and maybe the people of Ontario would have preferred if it had been left as it was, with the manufacturers' sales tax, yes.

Mr Sterling: Okay, we're saying the manufacturers' sales tax.

Mr Johnson: Guess what? With our manufacturing industry decimated like it has been by the free trade agreement, then I guess we would have lost a lot of revenue under this deal.

Mr Sterling: Nobody believes that, Paul.

The Chair: Okay, we'll go to Mr Kwinter and then Mr Carr.

Mr Kwinter: My point, in raising the issue, is not necessarily to advocate one or the other. It's to say that it seems to me there was significant concern about it, and I think the report should reflect that there was concern about harmonization. To Mr Johnson's remark that he doesn't agree with it, that isn't the issue. The issue is that it's a fait accompli and there's duplication. There are economies of scale that can be achieved by harmonization.

I think that, because of the representations, we should respond somehow or other, whether we say this has been raised by several people and we don't agree, or it has been raised by several people and the Treasurer should look at it, or, if you want to take the extreme position of my Conservative colleagues, that it should be done.

The Chair: I think one point there—I know my wife has different politics than I have. She'd like to have them both together and she likes the refund that she gets from the province, but she doesn't get paid anything on GST when she files it. I think that's a big concern with small business that there's not one cent involved in collecting the GST.

Mr Carr: I just want to say that the business group I met with this morning called for that. We've called for that. I would caution the government members, because I know before the next election this government won't do that, embarrass the federal government, because you can't have a federal government calling for the elimination of the GST. But you're going on the record as saying you're opposed to it. Regardless of what happens in the next election, if your government's still here, I am making a prediction that the provincial government will do it—not until the election. For you to sit here and say it should never happen and that was a bad GST might be acceptable now, before the next federal election. But you'd better be careful in saying that, because when the provincial government sees exactly how it is, it might be your government that brings it in. Just a point of caution. I think it should be in there.

Mr Johnson: I'd just like to make a comment that I heard what Mr Kwinter said. Indeed, this report should reflect what the presenters have said. I have no doubt about that. Therefore, if there was a significant concern about the harmonization of the retail sales tax and the goods and services tax, I think maybe there should be a comment made about that under the heading of "Taxation."

Whatever this government may feel or whatever my opinions might be are not relevant to the broader opinions that were made by those people who made presentations before this committee.

The Chair: I think, Mr Carr, we're talking about taxes here and this is a tax part. If you put the two of them together, there would be more items taxed, so people would be taking a look at an increase in taxation. Would that not be correct?

Mr Carr: I'm sorry, what?

The Chair: If you wind up putting the two of them together, the PST and GST, a lot of items that aren't taxed under the PST in the province of Ontario, if you harmonize them you would have to tax them now.

Mr Carr: No.

Interjection.

The Chair: I'm just saying that because it would be an additional revenue to the province. I'm just saying that because it would be an additional revenue to the province. When you go and buy a meal, let's say at McDonald's, and it's under \$4, all of a sudden now you'd be paying—

Mr Carr: That's why your government is probably going to do it, and it's non-political because, as you know, Quebec has done it.

The Chair: I'm just pointing it out.

Mr Jamison: I've heard people here today talking about absolutely no tax increases. Just the combination of those taxes creates a tax increase. Just for your information, Mr Sterling.

Mr Sterling: I think in clarification—

Mr Jamison: I'll carry on with what I was about to say.

Mr Sterling: I think it's important to know, if he would read our minority report—

Mr Jamison: It's important that we also take into consideration that within a very short period of time—people like to make forecasts here about political outcomes—we're approaching an election federally in which there have been, both by the Liberal and New Democratic parties, overtures about the GST, and that could significantly change things also.

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Mr Johnson: Even Kim Campbell.

Mr Jamison: Even Kim Campbell, as a matter of fact, has made some indication that way, yes. The New Democrats have come out and said they would basically do away with the GST. The Liberals have basically said, "Yes, we'll do something, but we'll tell you after we're elected what it is." The Conservatives are even waffling on that issue itself right now, some of the supposed front runners federally. It looks at this point as though the Conservatives might be experiencing some difficulty in re-election terms—

Interjections.

The Chair: I guess if Floyd collected the GST, he could keep it and just transfer what money he doesn't get from Ottawa and keep it in the bank here.

Mr Sterling: Perhaps it would be helpful to the NDP members to have the clerk dig out the report and our recommendations in this regard, because we acknowledged in that report there would be a windfall for the provincial government of, we estimated, about \$500 million and we suggested that \$500 million be used to reduce gasoline taxes because at that time we were dealing with the cross-border shopping issue. Therefore, what we advocated was no net increases in taxes.

We suggested that there would be a shift in taxation somewhat to sales tax, and then we suggested that it be taken off the gasoline tax. If you look at the report of this committee on cross-border shopping and you look at the same report of the Conservative Party, it will let the NDP members know a little bit about this issue.

The Chair: Okay. Ms Campbell, where are you now?

Ms Campbell: I'd just like some clarification. I think I'm fairly—

Mr Carr: I don't think we got to the harmonization agreement.

Ms Campbell: As a compromise, would you like a general overview of the issue of taxation that included reference to the opinions that were expressed on tax harmonization and maybe a few other taxes such as corporate minimum tax and commercial concentration tax?

The Chair: Yes, those three items were brought up by quite a few groups.

Mr Carr: We're not going to get agreement on them surely. I mean, if we did—

Ms Campbell: No, but would you like reference to them in an overview?

Mr Carr: In what way?

Mr Johnson: Just that they were raised.

Ms Campbell: That they were raised as issues of concern.

Mr Carr: Yes, that's fine.

The Chair: We didn't come here to listen to people and ignore what they had to say, did we, Mr Sterling?

Mr Sterling: Sorry?

The Chair: He's ignoring me. Okay, we've done taxation now. Everybody happy with taxation?

Mr Carr: Not really. I pay too much.

The Chair: Not happy with taxation but the reporting part.

Mr Carr: We're not happy, but we've got the gist.

The Chair: Okay. We have "Sectoral Issues." I'm sorry, we have to go back to "Economic and Fiscal Policies," at the top of the page. I guess we skipped from "Debt and Deficit," "The Future," and we got into "Taxation" and we skipped over there.

Comments on "Economic and Fiscal Policies"? Mr Kwinter, I think we sort of discussed a little bit of this yesterday.

Mr Kwinter: Yes, we did discuss this.

The Chair: Yes, because we went over the forecasters from the banks and that's when we got into the crystal balls yesterday.

Mr Sterling: That's what all this stuff is; it's trying to forecast the future and showing what a dismal job they've done in the past.

Ms Campbell: Would the committee like this section to be taken out of the outline?

Mr Kwinter: No, I think it's okay. One of the things I think we may want to comment on, and this was something that certainly has been a topic of discussion throughout our hearings, is this area of capital spending, not so much the capital spending, but how do you report it? How do you get it off the balance sheet and are you in fact just putting smoke and mirrors by shifting it from the budget to these capital corporations?

The other item, of course, is the federal-provincial relations, which I have no problem with. It could centre around the whole issue of the stabilization payments and what is the actual reality of ever seeing that, because I can assure you, and you don't have to be a soothsayer or a seer to project that the Treasurer will move that \$1.2 billion

from this year and have it in next year and it'll be there probably at the end of this government's term and it will still be there as a potential revenue. I think that is an issue we may want to look at.

The Chair: Mr Kwinter, I think we covered all that yesterday. If Ms Campbell has her notes there, do you remember we discussed all that? I think we're over that part.

Mr Carr: We called for it to be removed from the books, didn't we? I thought that's what we agreed to.

Mr Johnson: If I could just make a comment that I think I made earlier today, I think we need a simple but complete statement from the Ministry of Finance that tells the status of the province of Ontario with regard to its liabilities and its debts so that anyone, not just members of the government but anyone, can have a look at this accounting procedure, if you want to call it that, or disclosure statement or whatever, that includes all things the government ultimately would be responsible for with regard to liabilities.

That would include things like WCB, Ontario Hydro and any new capital corporations that may be created. I think that's what people want. In fact, maybe it wasn't the focus of everyone's presentation, but I did hear a number of people speak to that concern. I think this would be an area where we would want to include that, and I don't think anyone would disagree with that.

The Chair: Mr Sterling, and then we're going to recess right after this.

Mr Sterling: I agree with Mr Johnson that the total overall contingent liability or the liabilities that are out there should be up front and centre, that the debt incurred by crown corporations should be part of the debt of the government and any money they might make should be part of the income of the government in a consolidated way. I'm not so certain about WCB, because as I understand WCB, the government is not ultimately responsible for the contingent liability there. But you might want to include that as a footnote on it.

The Chair: Okay, Ms Campbell's got one question before we recess.

Ms Campbell: This question concerns the recommendation that the committee would like to make under the heading "Economic and Fiscal Policies." Would it be something building on what Mr Johnson and Mr Sterling have just been discussing?

The Chair: Can you read it out?

Ms Campbell: Mr Johnson said a simple but complete statement that provides information on the status of government's liabilities. He was looking at the issue of disclosure procedures. Mr Sterling mentioned contingent liabilities, a recommendation building on those statements.

The Chair: Mr Kwinter, do you agree?

Mr Johnson: I think we need to send a clear message too that we need to revise the way the province does its accounting. I think that's a simple message, is it not?

The Chair: What it looks like is that one government at one time is going to have to take the whack at when the books are changed.

Mr Sterling: That doesn't matter.

Mr Johnson: It's got to be done.

Mr Sterling: What happens is, you can show the books two different ways. You can show them the way they were kept before and you can show them in a new way, and then the people can make their choice.

I've got to tell you, I think until this government or any government, whether it's this government, the next government or whatever, comes to the realization that it's got to keep its accounting system on the accrual method of accounting, we're going to tempt treasurers to continue to fool around on the last day of the year or the first day of the fiscal year and try to use that. The political temptation is great to do that. We had a prime example of it last year in terms of the postponement of the payment to the teachers' pension plan.

I think there was a strong recommendation here early on in the hearings that the accrual method of accounting, which is the accepted method of accounting in business, should be the method of accounting—

The Chair: The way it's been done over the years, the public accountant came in and said to us that there was nothing wrong with it. I know Mr Phillips had questioned the Public Auditor, and that's the way it has been done for years, so he doesn't see anything wrong. So if you say it has to be changed—I think Mr Phillips would like to have it changed—that's something we have to look at.

It being 12 o'clock, we'll recess until 2 o'clock.

The committee recessed at 1200.

AFTERNOON SITTING

The committee resumed at 1410.

The Chair: We'll resume writing the report on the pre-budget consultations by the standing committee on finance and economic affairs. I guess we're down to "Sectoral Issues." Comments from the committee?

Mr Kwinter: I'd like a clarification of bullet point 2, which says: "It is proposed that the remainder of this section focus its attention on the presentations made by representatives of two sectors. Suggested areas for discussion have been mining, trucking or utilities." Are you saying that we pick two out of those three?

Ms Campbell: It's merely a suggestion. There certainly were others that made presentations.

The Chair: I think what Mr Kwinter's saying is that we heard from the rail industry and we heard from the trucking industry.

Ms Campbell: Or would the committee like a general summation of all the presentations?

Mr Kwinter: It would seem to me that when we talk about sectors, we've heard from many sectors, and to zero in on two of them may create some problems with other people saying: "We came to this committee. What happened to us?" I would far sooner see a more general discussion on the sectoral issues and maybe cover as many of them as possible with some kind of acknowledgement and statement as to what they had to say.

The Chair: Comments? Mr Carr.

Mr Carr: I was just going to agree with Monte. I was wondering what you had in mind. I know the summary did that. Did you have any thoughts in mind? I was here and listened, but what were you thinking, if you did it generally?

Ms Campbell: My thought under this particular heading was to perhaps focus attention on two areas that could be considered representative. I had a sense that the committee was interested in moving away from something that was mere regurgitation of what was said, but if the committee would prefer to have a general overview of the comments that were made by the representatives of those various sectors, it certainly can.

Mr Carr: Was there any common theme thread through all of them, do you think? I know what I think, but I'm just wondering what your thought is.

Ms Campbell: Taxation was a common thread. I think that would probably be the most common thread, if memory serves me correctly. It's fading a bit.

The Chair: Mr Johnson, comments?

Mr Johnson: I'll let Mr Wiseman make comments first.

Mr Wiseman: There were basically two common threads. One was that taxes should not be raised and the second was that in certain industries taxation was starting to be a burden in terms of their ability to continue to exist or to expand and invest and that somehow or other they needed some breaks. That's definitely the comment of the rail sector. The trucking sector was following that as well.

It's rather interesting that you can't get an agreement between the two of them. The rail sector has always been arguing that the trucking sector has an advantage because its taxes don't pay for the true cost of maintenance of the highways and that gives it an unfair advantage, whereas the trucking industry was saying it needs to have its taxes lowered so it could compete with American truckers. I don't know how you resolve that.

Mr Carr: I was just going to add something else while we do that. As you know, there are another couple of areas we should take a look at. If you were looking at the presentations, I thought there were three: one, the whole health care issue; another, education, because universities were in and school boards and so on. The other one was social assistance; if you look at the summary, it had one of the largest percentages of references.

I think they should be included. I'm not suggesting what we do with them right now, but I would like to see us touch on those three major issues. If anybody wants to throw any others out, if everybody agrees they are the major ones, I would suggest that then we can decide what we'd like to say about them.

Ms Campbell: Could I make a point here? I think if you turn the page over, there's a section dealing with social issues.

Mr Carr: Okay. I'm sorry.

Ms Campbell: I was thinking there were some health issues and things such as social assistance that could be considered there, if the committee was agreeable to that.

Mr Carr: Okay. I'll wait.

Mr Kwinter: There was also the transfers.

The Chair: Yes. That covers the same area. It does the trucking, it does the mining and everything else. Well, no, not really. That's a different area.

Mr Wiseman: Just a comment here; I just throw this out for people to think about. It struck me that there were really two views on what should be done. There was one view that was saying that taxes should be rolled back.

Mr Perruzza: Absolutely.

Mr Wiseman: The second view we were hearing was that everything is really okay the way it is if we throw more money at it, if we put more money into it.

The Chair: You're speaking generally.

Mr Wiseman: Generally, in terms of where we're going over the next two sections. I think we're going to have to deal with whether we agree that those were the two basic philosophical approaches we heard or whether there's a reality that needs to be mentioned here in contradiction to at least one or both of those basic approaches we heard. I for one do not see things as being, "Everything's okay; just throw more money at it." I don't think that's the solution. I'll talk more about that when we get into the transfer payments and the partners, but I think it's worthwhile thinking about it in those terms. At least that's the way I'm approaching it.

The Chair: Can we give a little more guidance to Ms Campbell on how we're going to handle this section? I know we're getting a little bit off it.

Mr Carr: Yes. I did that by jumping ahead to the other one mistakenly. For the sectoral, I would like to keep it fairly broad, like Monte said, and touch upon some of the main concerns, the common threads. Then when we get to the other social, we could be a little more specific. I would suggest we make this sectoral section fairly broad, with a statement of what the common thread is, and just leave it at that.

The Chair: Any comments from the different sections, the trucking or the rail or the mining, to put in statements they've made, rather than just the reference that is in the summary? Just to give her some guidance.

Mr Carr: The only thing is that when you are differing, it's difficult. Which one do you pick?

Mr Johnson: There was a common theme, if I can mention it.

The Chair: Mr Johnson, I thought you were just agreeing. You sit like this, and I thought, "Okay, I'm all right."

Mr Johnson: Well, from time to time I've been known to agree.

When we look at the sectoral issues, at all of them, I think we see that the common theme is equality in taxation. I would use the word "fairness," but we know that becomes an arbitrary kind of word: We can argue what's fair and what isn't. As I read through the sectoral issues part, and as I remember, it seems to me, for example, that the distillers were saying they wanted equality in how they were taxed with regard to other—

The Chair: Alcohol content.

Mr Johnson: That's right. For example, alcohol content with regard to the wineries and the breweries. They wanted to be treated, from their perspective, more fairly. They wanted that equality in taxation and they thought that would assist them to some degree.

When we talk about transportation and rail versus trucking, again they're looking for equality, but not with each other but with other areas of North America.

As we look through all those sectors that are covered under this heading, we see that indeed the common theme is that they want to be dealt with equally. Compared to other jurisdictions, they want to be dealt with equally, and compared to other sectors that are similar to themselves, they want to be dealt with equally as well. Of course, all of them complain that taxation is a problem, but they offered some different ways of dealing with that. Some of them were suggesting that it be reduced over a period of time rather than reduced altogether. Some of them said they just didn't want any increases but they could live with what was happening. So it depends. But I just offer that as a first comment, any way.

1420

The Chair: Norm, I noticed your hand up. Is that the tobacco issue you wanted to talk on?

Mr Jamison: When you're talking about this area, you're not going to find a real common thread other than no tax increases; they're very sensitive to the issue. But there aren't two areas that are identical out there. I think you could use some examples such as those that relate to direct, recognized effects: alcohol, tobacco, gasoline, those kinds of things that tend to promote something negative to happen in that we're next door to a jurisdiction that has tremendous price differences in those related products. Those kinds of examples, where it's recognized they have more direct public effect on things, should be pointed out.

Mr Kwinter: The point I was making when we started this discussion is that I've no quarrel with talking about the sectors. I just don't think we should limit it to two. We had the retail sector concerns about Sunday shopping, concerns about beer and wine in the corner store; we had agriculture concerned about a whole range of areas. I just feel that to exclude any reference to them would be doing them a disservice. All I really was suggesting is that we go through the record and see the sectors as such.

The Chair: Just say "Agriculture" and a statement.

Mr Kwinter: Yes, agriculture, retail, transportation, mining, the various sectors, and just a statement about their concerns.

The Chair: I think that would be great for the public to know also what's being said, rather than just the Treasurer finding out this out; that overall view of the whole economy.

Mr Carr: Agreed.

The Chair: Mr Johnson, agreed?

Mr Johnson: Yes, I do agree.

Ms Campbell: Does the committee wish to make any sort of recommendation under this particular heading?

The Chair: I think it's just a statement, isn't it? The Treasurer will make the—

Ms Campbell: So the committee has no recommendation to make under the heading "Sectoral Issues."

The Chair: The sectors have given us the recommendations that should be followed by the Treasurer. Mr Perruzza.

Mr Perruzza: I'd like to suggest a possible recommendation for this, recognizing that there aren't really any common elements or common themes that link all the people who appeared before us and spoke to the entire gamut of issues related to preparing a budget. Obviously you have some sectors coming here and saying, "You've got to cut taxes and you've got to make some drastic budget cuts," and you've got some others like the Ontario Good Roads Association that came here and said, "You guys are treating us unfairly; therefore we need more money." They didn't suggest where that money would come from, whether it would come out of health care or new tax increases or anything else; they just need more money for roads.

When you have that range, it's very difficult to be able to identify any sector and say, "This is the sector; therefore that should be given priority." My good friends here from the rural communities will argue that agricultural issues

perhaps should be sort of the number one priority, and when you begin to identify them, that's I think what you do; you begin to classify.

I'd like to suggest sort of a broad and sweeping statement that there is no question that a number of sectors and industries—and I'm thinking now of the industries that were essentially hardest hit by a program such as free trade and interest rates and the high level of the dollar, such as a lot of the blue-collar industries, a lot of our manufacturing industry, a lot of our construction industry—

The Chair: Mr Perruzza, I don't want to cut in, but this has already been gone through, in that for each sector we'll be stating—that's why we say we go agriculture. They'll make these statements in these statements the researcher will be doing, so that's already covered. We said there was a common thread but they change with the different sectors. So I would say that's all covered. The researcher has that already.

Ms Campbell: So there will be no recommendation under this heading.

The Chair: No recommendations, but the statements made by the different sectors. Do you agree, Mr Perruzza?

Mr Perruzza: Do I agree to what? I don't know what I'm agreeing to.

Mrs MacKinnon: If you were on time, you would know.

Mr Perruzza: Well, if Ellen knows, I'd like to hear an explanation from Ellen as to what we're agreeing to. Obviously, she was here.

The Chair: We have already agreed. All three parties have agreed. We're going on to the next section. We've finished the sector issues.

Mr Perruzza: What is the statement going to say, since we all agreed?

The Chair: Will the researcher repeat the written sentence so I don't get it wrong?

Ms Campbell: The draft that was presented to the committee suggests focusing on one or two areas. The committee has decided it wants a general discussion of all the presentations that were made to the committee with respect to sectoral issues.

Mr Perruzza: So anybody who didn't make a presentation obviously gets left off?

The Chair: No.

Mr Perruzza: Yes. That's what you're saying, Mr Chairman. That's exactly what I was speaking to, if you had given me an opportunity.

The Chair: Mr Kwinter, and then you can reply after Mr Kwinter gets finished.

Mr Perruzza: Sure.

Mr Kwinter: Not everybody in every sector made a presentation.

Mr Perruzza: Exactly.

Mr Kwinter: But every sector was pretty well represented by somebody. Whether it was a construction association, the Canadian Manufacturers' Association, the transportation people, the mining people, the agricultural

people, they were all there. I was suggesting, rather than just zero in on two, we should cover all the major sectors, not the participants in the sectors but the sectors themselves, and by and large we heard from virtually every major sector in the economy of Ontario.

The Chair: Mr Carr, and then I'll go to Mr Perruzza to wind up.

Mr Carr: The only reason I said that too is that we could talk a little bit about what could be done in each sector, but I don't think we'd have too much agreement. The reason I'm saying make it like that is that then when we get into the social issues, we can spend the rest of the time taking a look at that. So I agree with what Monte said.

The Chair: Okay, Mr Perruzza. Do you agree now?

Mr Perruzza: No, that's precisely what I was speaking to, Mr Chairman. I will not agree. I'll just sit back and be a cautious observer and see what comes out of it, but I venture again that not everybody came and appeared before this committee, and when you begin to highlight them, what you end up doing is in effect to prioritize and underscore the importance of some areas, and some areas of the economy that didn't receive representation—and here's I guess where I veer off from Mr Kwinter—will be left out, not because they're not a priority, but just simply because nobody from that particular industry or from that group of industries came and appeared before the committee. That's all I tried to underscore.

The Chair: Who was left off? Which sector was left off?

Mr Perruzza: I can't recall all the people who actually appeared.

1430

The Chair: If you can tell us which sector, then maybe we can take a look at it.

Mr Perruzza: I don't, for example, recall anybody coming from the public sector; that is, the employees who essentially work for government. Do you?

The Chair: I'd have to take a look through the list there.

Mr Perruzza: I don't recall the teachers' federations appearing before this committee. Do you?

Interjections: Yes, they did.

The Chair: Yes, they did.

Mr Perruzza: There you go. The one group that I didn't—

The Chair: If you want to talk about labour, labour was here.

Mr Perruzza: I don't remember anybody from the police association.

The Chair: Yes, but you're talking about labour and services.

Mr Perruzza: No, we're not.

The Chair: Yes, we are.

Mr Perruzza: We're talking about different sectors of the economy, not necessarily labour.

The Chair: Well, we can. The nurses were here.

Mr Perruzza: This labour from the construction industry is quite different.

The Chair: The nurses were here.

Mr Wiseman: I think there could be a recommendation that this committee would like to make to the Treasurer on this section, and I'm going to throw it out for just a little bit of discussion. I think what we should recommend to the Treasurer is that if any changes are contemplated in any of the sectors that we are talking about, a very careful analysis of the ramifications be done. What I mean by this is not just to look by the sector itself, but holistically at the spin-off and where this may compound out as a stone rippling in the water.

I would think that all the sectors would agree with that, that no changes be made without giving very careful consideration to not just the impact on the immediate industry but what the potential spinoff implications are for other industries or feeder industries or such. I think they would all agree to that.

The Chair: Mr Carr?

Mr Carr: I was just going to agree.

The Chair: I think we're all in agreement, so I think we could—

Mr Carr: But Jim is right. I think rather than just outlining it, you can say that with all the diversity, just reiterate that any time the government does something, it should take a look at the impact on it. I think the people who came in would think that's great, and if we can get that included, with all of us, I think that's super.

Interjection: Good point.

The Chair: I think we'll cover some of that in the transfer recipients too.

The next issue is "Social Issues," page 4. Have you got something just sort of roughly drawn up on this first one, "This section will open with a statement recognizing the human face and costs attached to the effects of the recession and restructuring"? Just give us an idea of your thoughts on this and how you were going to have this.

Ms Campbell: I guess I was trying to do some creative writing. It obviously didn't work.

This is sort of building on a statement I had in the previous draft, that this section would introduce the human element to the overall report. Up until now we had been discussing not intangible issues, but as I say, the non-human element, and we certainly had representation from a lot of social service organizations and health care groups. People such as the Daily Bread Food Bank and Ontario Coalition Against Poverty were able to tell the committee about how the recession and its after-effects have changed the social milieu and have had a profound effect on a lot of families over the last few years.

The Chair: Comments from the committee? Mr Jamison.

Mr Jamison: I think it's important to recognize in this section that approximately 70% of our budget is taken up in three particular areas: health care, social services and education.

I think it's important to indicate that as we have travelled down the road on funding those issues in partnership with municipalities and with the federal government, the arrangement itself has been changing. Municipalities are of course saying that downloading is taking effect more and more, but there's also an issue that I think is important because it deals directly with mandatory payment on certain things, that the level of funding in the first stage of the downloading—I guess it would go on—has taken place at the federal end, to the extent that 29% is now shared cost rather than 50%, although it's still 50% in Quebec.

I think our government has tried to point that out and I think it's important, because that has an ongoing effect on the delivery and the ability to deliver on social issues. Again, I believe inclusion of those figures is important in understanding that really, beyond those three areas, there's only 30% of our budget left and the pressures that are on there.

Mr Ruprecht: Mr Chairman, can I ask you, are we on point 1 or point 2 or doesn't it matter?

The Chair: I think we'll talk about the section.

Mr Ruprecht: Social, good. What I'd like to include, if it's okay with the committee—the second sentence reads, "Community-based health services were of special concern." While I wasn't here all the time, I do recall the important statements that were made by the rehabilitation community, meaning those who are dealing with aftercare services.

What I'd like to see in here is, "Community-based health and rehabilitation services were of special concern," and that same subject should be followed up in the last sentence where you say, for instance, "Other possible topics are social assistance or interval and transition houses," and include that rehabilitation aspect as well.

The Chair: Okay, fine. Mr Carr.

Mr Carr: I was just going to say the headings that I would like to see in there. The major ones are the ones I mentioned: health, education, social assistance and housing. The problem we've got with it is that this is where we disagree on what needs to be done.

The Chair: What, on co-op housing?

Mr Carr: On probably all of them, but take housing, for example; non-profit housing, yes, of course we're opposed to that, and go on and on. So we're not going to agree. What I would like to say is that I think those topics should be covered. But this is where we now disagree and we can spend all afternoon debating, but just one quick point: The only thing I'm saying is that if people agree those are the major areas, we can add more or whatever. The problem we've got is that we now need to decide, what are we going to do? I know for a fact we're not going to agree on the housing.

The Chair: Are you saying that as a party you don't agree or some of the presenters didn't agree and agreed with you?

Mr Carr: No, I'm talking about opposition to recommendations. I think now, when we get into those areas, is when we should make recommendations. I wouldn't

just like to do like we did in the sectoral where we summarize it.

The Chair: There were certain groups that came forward that agreed with you on some of the questions you had asked—

Mr Carr: Yes, and some agreed with the other side.

The Chair: —and others didn't agree and agreed with, maybe, Monte over here and some agreed with the government, so it was all over the map with some of them presenting there.

Mr Carr: What I'm saying is that I don't think—to make it long, we should then summarize everything and then make recommendations in this. I would just like to make recommendations. Otherwise the report's going to be—

The Chair: Can we wind up on the recommendations? Can we write in the report that the government recommends this and the third party position and the official opposition position and write it right into the report? Are we able to do that?

Mr Carr: Can we at least agree on the categories? I'm just saying if we can't even agree on the categories—those are four I listed. There may be others that I could agree with. I just threw them out. If we can agree on the categories, then we can each do our recommendations and it would be maybe easy for comparison—I don't know—rather than just going off and—

The Chair: The other question is, these recommendations from the Conservative caucus, when would they have to be handed in to you?

Clerk of the Committee: Wednesday the 17th.

Mr Carr: Before the 22nd.

The Chair: Wednesday the 17th, just to give you an idea.

Mr Carr: Yes, we've already got them.

The Chair: If you don't hand them in by then, we don't find them.

Mr Carr: You know them all. It's the things we've been saying for years, Ron.

The Chair: Okay. Mr Wiseman.

Mr Wiseman: I'm sure that what I'm about to say will not be really popular among a lot of the groups that have presented here, but I'm going to say it anyway.

I think we need to have a debate around whether the amount of money being allocated for social services is adequate. I think within the framework of that debate, we need to ask a fundamental question, and that is, is it being delivered in the most effective way?

For example, do we need to have all the administration structures of all these various groups being paid the salaries that they're being paid to administer the funds being delivered to their clientele?

1440

That leads to my next question, and that is—

The Chair: Who is this question focused at?

Mr Wiseman: This question is fundamental to anybody who cares to want to jump into the debate. What I'm saying here is, could we not do more for the people and the

clients of these groups by having fewer delivery mechanisms and delivery administration systems? In other words, rationalizing the delivery process to avoid having a myriad of people, presidents of organizations, vice-presidents of organizations, treasurers, people to administer the payroll, people to administer the buying of goods. I'm just asking if we couldn't be doing more with the money by rationalizing those into fewer structures with them still having the same amount of money—

The Chair: You're talking about restructuring then in a lot of these organizations.

Mr Wiseman: That's exactly what I'm talking about.

The Chair: Okay. Comments?

Mr Kwinter: I just want to respond to what was just said. Notwithstanding what we say, there's not going to be any choice, they're going to have to do that. We have a situation right now where 13% of all of the revenues that come into the province are used to service the debt. By the end of this government's term—and I'm just using that as a gauge because those are the figures we can see in the next two or three years—that figure is going to increase to nearly 20%, which means that more and more of our revenue is going to service the debt, which means less and less is going to be available for distribution.

The problem any government is going to face is the situation where the economy is going to improve, as it supposedly is doing right now, but it's not improving so greatly that it's going to have a marked effect. It's going to be better than what it was but it's not going to be fantastic only because we're looking at, best-case scenario, 4% increases in gross domestic product, which is not going to be a huge increase. As I say, best-case scenario is 4%. As I told you yesterday, the Economist says it's going to be 2.8%, whatever it is.

You're going to have the strange situation of people saying that things are better, we need more money because we have been cutting back and we've been laying off and we've been closing down facilities when times were bad and now that times are good we need more money. We're going to be in a position where notwithstanding that times are good, somewhere along the line—and again I'm not trying to point the finger, but in 1990 you were espousing Keynesian economics, you run up deficits when times are bad and you pay them down when times are good—you're going to find that it's going to be a tough argument to sell: We can't give you anything right now because times are too good and we have to pay down our debt. You're going to have to do it but it's going to be a hard message to sell to people that because times are good you can't afford to pay them anything.

You're going to have to restructure anyway. There's no choice. It isn't a matter of options. The thing is that you're going to have to take a look at how you deliver the services and you're going to have to get better productivity. That's exactly what's happening with CN Rail; that's exactly what's happening with Hydro; it's exactly what's happening with IBM; and it's exactly what's going to happen to the Ontario government. They're going to have to look at it and say, "We have to do more with less and that

means we've got to cut out middle management; we've got to cut out all these consultants; we've got to cut out all these people who are adding to the financial burden but are not necessarily adding to the productivity."

I think that's a given, but I think it's important that statement be made. We should include that so everybody is put on notice that this situation's going to happen and we're going to have to be prepared to address it. I think it's important that we have something to that effect in the report.

The Chair: Mr Carr, do you agree in this area?

Mr Carr: Yes, I agree with both of them, so hopefully we can get that in there. The way it should be worded is much along those lines and say that's what we recommend, that it has to happen and it can be worded. I think it's great. I agree with both of the two previous speakers.

The Chair: Mr Kwinter, you were saying you have to cut out a lot of middlemen—middle people, okay, I won't use that other term. What we have is regional government. Are you saying if you cut out regional government, the cheques would come from the province and you would eliminate some of the lower levels of government? Just so the researcher has an idea.

Mr Kwinter: If you take a look at any of the restructuring that is going on, whether it's the private or the public sector, you will find that the only areas that you have to restructure are in middle and top management. The reason for it is that these are people who add to the total overall operation of the facility but they are not directly related. The guy that's digging the hole to put the pole in the ground is going to have to be there or you're not going to get the pole up. There may be three guys above him who decide that's where the pole is going to go. You can't get rid of him because someone has to dig the hole, but you can get rid of those three guys and say only one guy is going to do it.

The Chair: Yes, but how does he know where to dig the hole?

Mr Kwinter: I'm saying that one guy is going to make the decision instead of the three.

The Chair: One guy, okay; I thought it was the one guy with the shovel who was digging the hole.

Mr Wiseman: A system where the labourer has more contact with the upper managers.

Mr Kwinter: What I'm saying is that those are the areas, without having the system totally fall apart. You're not going to get rid of the guy who is driving the ambulance, he's got to drive that ambulance, but you're going to have to get rid of some of the intermediate steps of who is supervising that guy to get the ambulance.

The Chair: You're talking about a bigger area, where one person's in charge instead of someone in every little municipality.

Mr Kwinter: You're just going to have to get more productivity, get rid of these guys who it's nice to have when you have lots of money. When you get into the crunch, you've got to cut back, and those are the guys that have to get cut back.

Mr Jamison: What Mr Kwinter is saying is a fact of life in industry today. Industries have had to do that for probably the last three or four years anyway, and probably many of them were doing that for the last while. I believe that the time for that spillover effect, in the demand to streamline government itself, is here.

When you look at the Treasurer's budget, you're looking at operating costs as being the most significant portion by far of the budget, and in those operating costs are ministry costs, agency costs of ministries and everything included. It's only a fact of reality that when your budgetary requirements are at one level and your ability to garner revenue is at another level, then you have to work towards that, and it has to be done through all areas of spending.

The Chair: Okay. Ms Campbell, just some clarification.

Ms Campbell: I'd like to clarify that the committee's recommendation is along the lines of, "Consideration be given to a more efficient and rational delivery of social services."

The Chair: It was actually everything, though, all government services, wasn't it?

Mr Carr: All government services.

Ms Campbell: Under the "Social Issues" heading?

Mr Wiseman: Since I threw this out, what I am particularly thinking about here is that—

The Chair: Mr Ruprecht is next, if you don't mind.

Mr Ruprecht: Is that okay with you?

Mr Wiseman: Go ahead.

Mr Ruprecht: I deferred to you the last time.

Mr Wiseman: That's fine, you go right ahead. I'm sorry.

Mr Ruprecht: I think we're all on the same wavelength. It's a great idea. Who would argue against streamlining and cutting out the fat? Obviously, all of us are in agreement with that. Where it gets a bit tricky is, obviously, how do you coordinate all this human delivery service stuff that takes place in all the ministries? I'm thinking about the Ministry of Community and Social Services, the Ministry of Correctional Services—there are four or five ministries that deliver human services.

The idea that Ms Campbell is indicating is great, except you've got to add a little more to it than simply saying we should be coordinating more than we have in the past. The reason I say this is because I remember when I was there, and they said, "What we need to do is we need to coordinate, we need to cut out the fat and we need to streamline." We've heard all this before. Now, economically, we're being pushed against the wall and we have to do it. Simply to say, "Let's get it all together," may not be good enough.

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You've got to be tougher, especially when it comes to human delivery services in certain ministries, because each ministry has a similar kind of service that goes out into the community. In terms of group homes, for instance, the group homes are organized by three or four ministries that have their actions in the community. If you could centralize that

aspect of group homes or boarding or lodging houses and those kinds of services through one ministry, obviously we'd be able to cut out the middle-management types across the board. Just to say, "Let's coordinate through one ministry," will not be good enough. We've got to coordinate throughout all ministries. I hope I made my point there.

The Chair: Mr Perruzza is next, Mr Wiseman.

Mr Perruzza: I don't see how you could link up that kind of process and why anyone would just simply isolate social services. We govern or preside over a quagmire of service delivery systems. I don't see how you can dissociate that from issues of governance. I'll just give you one example. Here in Metro alone you have seven municipal councils, you have eight school boards—

Mr Wiseman: Nine.

Mr Perruzza: With the French language, you probably have 10 when you separate them out. You have a number of institutions at odds with each other. I've sat in on and watched on television municipal councils make decisions on taking the regional council to court and then taking the commissions to court and then the OMB to court and then the provincial government to court. Everybody's suing everybody and all of these consultants and lawyers and the rest of it are just siphoning off so much in terms of our resources.

There's an excellent article that was circulated by one of my colleagues by Trish Crawford of the Toronto Star which says, on our educational system, that, "In Ontario, there are roughly 100 school board staff, including 69 teachers, for every 1,000 pupils." What that suggests is that for every 10 kids, you've got an administrative person: not a teacher, not someone in the classroom, but someone at the board.

Mr Wiseman: That's a great pupil-teacher ratio.

Mr Perruzza: This is nuts. If you say, "Jeez, it's in social services," it's because we're simply looking at the delivery of human services on the basis of neighbourhoods and leaving out the monsters like our educational system that's just simply gone nuts. If you take the statistics to the service and to the classroom, there's no relevance between the dollar we pay and the product we receive, none whatsoever.

We can't say that we're going to take social services and talk about how we're going to restructure three or four ministries and not talk about issues of governance and the system we preside over. I can understand why we have the system we have. It's really been easy for governments in the past not to make difficult decisions. What you do is you appoint a board that essentially governs itself, has some taxation jurisdiction on its own, and you say: "Go off on your own and do your own thing. If you make painful decisions, if you make difficult decisions, you suffer the consequences, and we'll sort of detach ourselves from that process." That's a great Conservative strategy.

The Chair: I think we're sort of getting into the next section a little bit. If we can stay on this one, it seems like everybody's in agreement with the recommendations, other than maybe Mr Carr in some particular areas on social issues.

Mr Carr: I agree with the broad—

The Chair: The general.

Mr Carr: Yes, I agree with that.

The Chair: Some clarification, Ms Campbell?

Ms Campbell: I'm fairly certain about the gist of the recommendation the committee would like to make. My question at this point is, what would the committee like in terms of content under this particular heading? I have suggested here focusing attention on two issues. The committee might not like doing that: deciding that two issues are more important than others. Would you, as you asked for under "Sectoral Issues," just like a general overview of what was said by the different groups that appeared before the committee?

Mr Wiseman: Just on that, the mere fact that there are so many groups representing each sector—I don't want to centre any one of them out, but let's take one that didn't come: addiction counselling. You have hospitals doing it, you have AA doing it, you have the John Howard Society doing it, you have counsellors doing it, you have a whole myriad of groups delivering it to this one person. What I am suggesting is that we need to deal with delivery in one-stop shopping. We need to have somebody or some agency that does all those things. If you're coming out of our correctional facilities and you've got these difficulties, then you should be able to have that service delivered by one agency. It should be so cosmopolitan that it should be delivered, and that's the on-the-ground service delivery person. Eliminate all the duplications of all the different administration structures.

I guess what I am recommending to the Treasurer and to the government as a whole is that we start to move in that direction. I know that's not going to be popular among a lot of groups, because if it goes in the direction I'm envisaging, a lot of those groups' hierarchies are going to disappear.

Mr Kwinter: If I can make a comment, I think that's a very valid point. It's important that we recognize that we've come to a very interesting point in Ontario history, if I could just take a minute to tell you. This government has done something rather dramatic in the way it has reduced the amount of money that is being expended on increases in health care. It's taken it from an average of 11% a year down to 1%. I can say to you that this government is the only government that could have done it. The reason I say that is that the old New Democratic Party would never have allowed it to happen.

We had a situation in the 1970s where Frank Miller was the Minister of Health. He became the Premier, but through a quirk in history he eventually wound up reporting to me as the chairman of the Ontario International Corp when I was the Minister of Industry, Trade and Technology. He came to see me one day. Some of you may not remember, but when he was the Minister of Health he thought that health care costs had gone totally out of control and had advocated closing down a number of hospitals. The one in Toronto was Doctors' Hospital; there were hospitals throughout Ontario. I'm not trying to put this in a partisan way; I'm just stating historical fact. He had to

back down because the NDP in particular had the demonstrations on the front steps: "There's no way you're going to do that."

But the interesting thing was that I asked him, when he came in to see me, "When you thought the health care costs were out of control, what was the total budget for health?" This was in, I think, 1972. He said, "Our total health budget was \$2.75 billion," and at that stage he thought it was out of control. We're now at \$17 billion.

What I'm saying is that we have an opportune time to do it because this government is where it is. I talk about the old New Democratic Party and the new New Democratic Party. I can tell you, the conversations we have been having over the last two days would have been impossible not too long ago. I sit here and I think to myself, "I can't believe what I'm hearing coming from that side of the room." I'm totally delighted, but—

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Mr Carr: Don't worry. A few years from now, it'll be reversed.

Mr Kwinter: I'm just saying that we have an opportunity when everybody seems to have zeroed in on the problem and is prepared to do something about it. There's no question that it's going to be tough, because a lot of people are going to be quite upset that this is happening. But this is a rather unique opportunity to get our house in order because of circumstances where everybody seems to be on side and is prepared to do something about it. I think it's a key message that should be coming out of this committee at this time.

Ms Campbell: Could I just regurgitate, then, the recommendation that the committee might want to make in very general terms: The committee recommends that there be fewer delivery mechanisms involved in the provision of social services and that they be delivered in an efficient and rational way, or something along those lines.

Mr Kwinter: I wouldn't want it to say that there be fewer services delivered. I would rather have it a more efficient delivery of services, whatever that means.

The Acting Chair: Do more with less, quite simply.

Mr Kwinter: Yes.

Mr Wiseman: Fewer delivery agencies.

Mr Kwinter: I wouldn't even want to say fewer delivery agencies; I would just want to say a more efficient delivery system.

Ms Campbell: More efficient and effective?

Mr Kwinter: More efficient, effective and productive.

The Acting Chair: And coordinated, and who would disagree with that?

Mr Kwinter: Well, let me tell you, the labour movement sees "productivity" as a buzzword for cutting jobs, and they're not happy with it; they object immediately when you start talking productivity. But I think the key is productivity. The key is that you've got to do more with less.

Mr Ruprecht: Streamlining and coordination.

The Chair: Mr Carr.

Mr Carr: I agree. We have a good opportunity, and in a non-partisan way. We know the government's going to have to do this. It will be a good opportunity for this committee to put its mark on it, and the government can then say, "See, this is what they recommended we do." I think the government will benefit. I agree with it and it will happen anyway, and I think we should be part of saying it.

The Chair: Mr Johnson, you agree?

Mr Johnson: Yes, I agree.

The Chair: Mr Kwinter? Okay. Mr Wiseman, you're not going to unagree, are you?

Mr Wiseman: Heck, no; I started this. But I think it should be put in here somehow, with the agreement of the rest of the committee, that the overriding criterion, in terms of assessing whether the delivery mechanism is efficient, is how the service is delivered to the client, and that it should be client-based, result-evaluated, client-driven. I'm going to be saying a few things about education that aren't going to make me a whole lot popular there.

The Chair: I think when we get down to the transfers—

Mr Wiseman: I'm going to wait till then, but it's the same basic premise. We need to go to those the service is directed to and deliver it to them in the most efficient, cost-effective way. That then means going back and evaluating the delivery mechanisms and whether you need to have eight or nine delivery mechanisms for each individual you've got out there in terms of housing, counselling and so on. I just want to make sure that that issue isn't lost in the broad, general direction.

The Chair: Mr Jamison.

Mr Jamison: I'm sitting very close to the mike this time. I just walked in on the tail end of Mr Kwinter's statement that labour would be not recognize the need for productivity. That may have been the case five or six years ago, Mr Kwinter. I can tell you that I don't underestimate the labour group out there, their ability to understand that, as times change dramatically, there can be a win-win situation that evolves out of that.

I'd like to add an example. An example of that is an industry that's in trouble: the steel industry in this province is in pretty tough straits at this point. But Stelco, for an example, has one plant, and I'm sure you're aware of it, Lake Erie works, where a combination of skills has taken place, along with the advent of good technology, and has really placed that particular plant in a situation where it hasn't felt the layoff situation because it is highly productive.

So when we make a statement like that, I'd certainly say that light is being shed in the labour movement on that particular issue—although part of a labour union's mandate is certainly to try and ensure that jobs are preserved, and around that, of course, sometimes there is a mixed signal. But I do believe that the labour movement is much more ready to participate in that type of thing, in a win-win situation, today than ever before.

The Chair: Can we get everybody's agreement on "Social Issues"? Can we get on to "Transfer Recipients"? Comments.

Mr Johnson: Just before we start, in our brief or our document that we submit to the Treasurer and to the Legislature, will we be submitting as well the summary of recommendations?

The Chair: I thought we would talk about that when we get through the total report. This is why I'm sort of pushing: It's getting on to 10 after 3. There may be some other issues we want to put in the report that aren't covered in the outline, and maybe we can discuss that.

Mr Johnson: I raise that point because if the summary of recommendations is included, then whoever reads the general comments we're going to submit—and indeed they are general—can, if they desire, have a look at the summary of recommendations and see how we derived our comments that would be much more general than the more specific summary of recommendations.

The Chair: Any other comments?

Mr Kwinter: I have no problem with the suggestions of the researcher. The only thing I would like to see is an inclusion of the same general statement that happened under "Social Issues," the idea of productivity and value for money and streamlining. I had talked to the people at IBM, and they came up with what I thought was a good word. When you watch most of the discussions about plant closures or layoffs, they talk about downsizing. IBM has coined a new word. Instead of downsizing, they call it "rightsizing."

Mr Johnson: Like in correct sizing.

Mr Kwinter: Yes. "This is the right size we should have for what we are doing," as opposed to downsizing. It's not a bad word, not a bad concept. It should be rightsizing: Whatever is required is there, but no more.

The Chair: Actually, rightsizing is the right number of people to do the job; downsizing is cutting productivity. Mr Carr, you agree? Okay.

Ms Campbell, any questions or comments?

Ms Campbell: I guess my question is, what has been agreed? Is the committee willing to follow the outline that's provided under the heading "Transfer Recipients" and focus on one topic as it relates to each transfer partner, rather than a number of issues?

Mr Carr: No, I think what Monte was saying is that the same principles we had put in under social should appear under the transfers, because that's who's doing it. I don't know if we can get agreement on what to do with the actual transfers. We had some agreement this morning on two sides.

The Chair: You're talking about freezing them at the present levels without the increases?

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Mr Carr: Yes, however we word that, whatever it works out to be. Actually, it's probably a 2% reduction next year.

Mrs MacKinnon: I would just like some clarification under "schools," here. It talks about integration of services. Does that take in the possibility of destreaming?

What does "integration of services" mean? You're not talking about the two different systems, are you?

Ms Campbell: That was a subheading that is found in the summary of recommendations.

Mrs MacKinnon: It's what?

Ms Campbell: There was a summary of the recommendations made to the committee prepared and handed out a few days ago. One of the subheadings that was included under the title "Schools" was "Integration of Services." There were a number of educational groups that appeared before the committee that were concerned about the number of services that schools were required to provide and the fact that they had to deal with a number of different ministries in the provision of these services.

The Chair: Ellen? Page 5.

Mrs MacKinnon: Thanks.

Ms Campbell: Actually, it's on page 9. They were concerned about cutting costs.

Mrs MacKinnon: Therefore, you're discussing the integration of services from ministries, as opposed to the schools themselves.

Ms Campbell: Yes. It had nothing to do with destreaming.

Mrs MacKinnon: Makes sense to me. We've been saying that for years, haven't we? At least I have.

Mr Wiseman: This is also going to lead me into interesting waters.

Mr Jamison: Maybe I'd better distance myself.

The Chair: Are you ever going to teach again, Mr Wiseman? Is there a board that would hire you?

Mr Wiseman: I may not even be able to go home after I'm finished with this.

In terms of the municipalities, it seems to me that the demand for funding from the province is based on a concrete ratio in that if the municipality builds a road, it can apply and get 80% of the money from the province for a road. It seems to me that one of the major issues we have facing us is the anger over property taxes, but also that every time a municipality builds another subdivision—and this is particularly true for growing areas—everybody's taxes go up. Because a lot of the money that it costs to deliver those services, such as the education system, hiring teachers, or building recreation complexes or schools, is transferred on to the province's back, and it has to deal with that.

I don't know how you put this into a recommendation to the Treasurer, but clearly we cannot continue to have the kind of sprawl that we have in terms of municipalities, because it continually adds more and more costs to both the municipal and provincial sectors.

The Chair: You're talking about intensifying?

Mr Wiseman: I think we need to talk about that. I think we need to say to the Treasurer that something has to be done. I don't think we can continually and unquestionably transfer funds to the municipalities if they are going to continue to deliver services in an inefficient manner. If we're going to get our provincial deficit under control, we need to examine that as one of the areas of concern.

The Chair: Maybe give an example, because I'm not following you too closely. I don't know how you control it at the provincial level, because then you don't need the municipality.

Mr Wiseman: I think you have to talk about the elimination of the automatic transfer of funds from the provincial government to the municipalities in some of the areas where they are automatically receiving these funds, like on the building of roads, the building of sewers and the amount of money that is being paid for bridges.

The Chair: But if it's approved by the province, it looks at the plans. It's not just writing out a cheque.

Mr Wiseman: It's almost like that.

The Chair: It's not.

Mr Wiseman: I wouldn't mind going through each one of these—I have a few thoughts on all of them—but Mr Carr—

Mr Carr: I was just going to say on this that I appreciate what you're talking about. The only thing I would caution is that one of the reasons—and I talked about it this morning with the wage controls in the broader sector—is that we didn't want to get into saying, "You're going to get less." The problem we've got with school boards—and we'll use them as examples, not to make them whipping boys—is that the trustees can't even negotiate, because if they come to an impasse or whatever—and the same with municipalities—it goes to the arbitrator.

Whether it be GO or whatever, arbitrators have historically given large rate increases—not large, but they end up getting rate increases anyway. When you look at it, you see that arbitrators are making the decisions in the province of Ontario right now in some cases, like GO Transit. To simply freeze transfers to school boards, for example, and then say to the trustees, "You make up the difference," when 80% is salaries—and that includes the overbloated administration; teachers may be 60%, 50%, whatever, but 80% is salaries—if we don't introduce the wage controls we talked about, all we do is download further on to the properties.

My trustees who are on the bargaining committee—and Jim will know this—say, "We really don't have that much leverage, because if we go through the whole process, strikes being what they are, the public not liking strikes, we don't have any control." My big fear about this, and the reason I couldn't agree with a freeze unless there was—and this is where we're obviously going to disagree, because you've already said you can't agree—is that if we don't tie the wage salaries to it, we could never agree to freezing to municipalities and then having the tax burden from the provinces going down on to the property tax.

I think you'd agree we all know that. We all criticize the federal government for doing that, so if we were going to call for any type of freeze, it would have to be so that whether it be school boards or municipalities, where a large portion isn't the roads, it's employee salaries as well—it can vary, but it's a high, high portion. If you don't and you simply download and freeze transfers—and that's why we have tried to be flexible in what we've called for in the wage controls—if it's 2%, if it's 1%, if it's whatever, it

should be tied to the rate of the transfers. The problem we've got is that we couldn't agree to do that unless the wage controls came in, and I know the other side won't agree.

My suggestion, having rambled on about that, is that we incorporate in this section the same points we had in the first with the general statement and then each of the parties can decide what it wants to do after that, because I don't think we're going to get much agreement on what needs to happen with the transfers.

Mr Perruzza: Speaking just very briefly, hopefully, to the municipal, I agree with my colleague. I think the government needs to intercede to ensure that the municipalities function efficiently. I don't know if some of you are aware, but most municipalities have reserve funds. I know that established cities, like in Metro, cities where you have new developments coming on stream all the time, cities selling lands, transferring densities off their roads and so on and selling them to developers, they have a good base of cash flow. Now I hear Mayor McCallion saying, "We're going to come in with zero." No kidding, she's going to come in with zero. You've got Mississauga developing at an unprecedented rate with new developments coming on stream all the time. She probably has more money than she knows what she can do with. She could probably even roll back taxes. I think the city of Toronto could roll back taxes. I think North York could roll back taxes. But they go out and they buy and do new and fancy doodad things all the time and then complain that they've got no money. But that's fine. That's part of the game. I understand that. But I think it's incumbent on government to move in on situations like that and lock municipalities into value-for-money tax increases and everything else they do.

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Getting back to the school boards and saying to school boards, "We're going to freeze transfers to you," I can't help but think how naïve a concept that really is. When you have, on both sides of a negotiating table at a school board level, teachers negotiating their salaries, on the management side and on the teacher side—because whatever happens with the teacher on that one side is going to happen to the management teacher on the other side of the table.

You had a government back here, I think it was the Liberals, that came along one day and said that directors of education have to be certified teachers. So who's at the top of the pyramid of the corporation? A teacher.

To say, "We're going to freeze transfers to you," and to think that all of a sudden this director, who's a teacher, whose assistant is a teacher and probably right down the line, is going to say, "We're going to put a few of these people back in the classroom, and we're going to downsize or rightsize the system so that we redirect the moneys where they really count, in the classroom"—absolutely not. It's absolutely and totally naïve to think they're going to do it for themselves.

There are a number of brilliant models right around the world, and right here in this country of ours, Canada, that are excellent education models. But you have to have a government that's going to take the bull by the horns and say, "We're going to be responsible for education; we're

going to bear the brunt; we're going to take the flak from the users and from the parents of the users of the system, and everybody else has got to pay taxes; we're going to change it, and we're going to remodel it to make it more efficient and to make it reflective of the 1990s," not of the 1940s, not of the 1960s or 1970s, where governments didn't want to touch it and didn't want to get near it too much and let somebody else do it and just sort of stayed at arm's length. I think you have to get knee-deep right in the middle of it and say, "We're going to move it, and we're going to funnel dollars."

The Chair: This is going to the Treasurer. If the province is going to pay 100%, can you give the Treasurer an idea what he's going to raise out there?

Mr Perruzza: Mr Chair, 100% of what?

The Chair: Of the education if the province takes it over.

Mr Perruzza: Takes over what?

The Chair: Education, if I understood you right.

Mr Perruzza: I don't think you understood me.

The Chair: Okay.

Mr Perruzza: Absolutely. I think there are a number of models. I think you could restructure. There's one in fact in Alberta that's a school-based budgeting model where, essentially, moneys are allocated on the basis of pupils and that kind of thing, and you build in formulas for special needs etc. What happens is that you eliminate a lot of the middle managerial moneys that my colleague, my Liberal friend there, was suggesting earlier. It's the teacher in the classroom who counts, and that's where you have to put the resources; you don't have to put them in an administrative structure in a board. Once you begin to do that, I think the issue of taking over taxes or property taxes—

The Chair: That's where I lost you.

Mr Perruzza: —just to jump one step ahead of you, because I suspect that's what you were thinking of—

The Chair: Thinking, "Take the property taxes off."

Mr Perruzza: I think that once you move in and do that, then you can also address the issues of fairness and equity in our tax system. In that way you can address the issue of property taxes and that kind of thing. But I don't think that you'd ever be able to do a reform of property taxes other than, I suspect, moving in and developing an emergency property tax relief fund for the low end, for people who find themselves unemployed and are struggling in the face of losing their homes, or seniors whose pensions don't keep pace with the rise in property tax increases.

If you take a close look at that, for example, you'll find that a senior who's on a basic pension income, certainly in Metro or in some areas in Metro, just can't fork out \$3,000, \$4,000 or \$5,000 in property taxes in instalments: January, February and March and then June, July and August. Any reasonable-minded individual would recognize that this is a serious problem, and that's something that needs to be looked at. In the interim, I suspect that this could only be addressed through, as I said, an emergency fund that bails out people who essentially are unemployed

or are on fixed incomes or who are seniors with very low-level pensions and so on.

I think all of these issues are intertwined, but I can't help but think that our education system—if the numbers in this are accurate, and I've been reviewing some of this myself, and I can't say for sure that you have 100 administrators for every 1,000 pupils in our system across Ontario.

The Chair: No, no. You've read it wrong. Read it again.

Mr Perruzza: Well, "100 school board staff." I don't suspect I read it wrong.

The Chair: Read a little further.

Mr Perruzza: "In Ontario, there are roughly 100 school board staff, including 69 teachers, for every 1,000 pupils." That's including 69 teachers. So administratively, there are 100. It's one in 10, so the ratio is correct.

The Chair: No. That's not the way it reads.

Mr Perruzza: I'm not going to argue with you on whether I read it correctly or whether you didn't read it correctly.

The Chair: But it's 69 teachers. The rest are administration staff, which could be a janitor, could be an electrician or whatever the case may be.

Mr Perruzza: Mr Chairman, I was a trustee on the school board. I understand all of the different roles in the schools. I went through many of them and I sat in on many meetings where we discussed many of these issues. I'm not going to rehash them, but I would hope that any statement would include something on that.

The Chair: Just for clarification, you said in Mississauga there was a reserve fund they were using for other things. Is not the reserve fund, when a subdivision goes in, to be kept there, because in 10 years you're replacing maybe street lights, sidewalks and roads?

Mr Wiseman: They spend it on other things.

The Chair: If you spend it someplace else, that reserve fund from that subdivision, that money, is used up. Now you have to build another new subdivision to have income. Is that what you're saying?

Mr Perruzza: No. What I'm saying is that municipalities can do a number of things. Municipalities can sell densities off of their roads. That's money; that's like a sale. They can sell parcels of land within their own jurisdiction that they own. They generally have land acquisition funds as well, in order to be able to bank land to then sell to a developer, based on what their official plan requirements are and based on what they want to see happen in certain areas. So they have very creative ways and very creative revenue resources. They can do a number of things with those things.

I know the city of North York just built a nice, new performing arts centre.

The Chair: A lot of corporate money went in there.

Mr Perruzza: While the mayor says none of that came from the taxpayers, I would venture to say he's inaccurate because \$4 million a couple of weeks ago was just transferred to the performing arts centre from general revenue.

The Chair: Mr Wiseman? I'm just going to circle around here. Comments from Mr Kwinter, if he has any? Mr Carr, comments on this section?

Just before I go on, Ms Campbell, have you got any questions on this section? Just before we get back over here to Mr Wiseman.

Mr Wiseman: Wait a minute.

Ms Campbell: Perhaps I should wait until Mr Wiseman has made his comment.

The Chair: Okay. There's a comment on this section?

Mr Wiseman: I guess I won't be employed at the universities by the time I'm finished with this, but I really have a difficult time believing the universities are in financial trouble. The reason I say that—

Mr Johnson: You sat on the public accounts committee.

Mr Wiseman: —is because of the way they're structured. I think universities are going to have to grapple with a couple of points. The most important one is, what are they there for? Are they there as instructional bodies or are they there for research, research delivery bodies?

The reason I bring this up is that if my number is correct, which I find just absolutely floors me, the average university professor teaches 10 hours a week. I've heard this from a number of different sources.

Mr Ruprecht: I used to teach nine hours a week full-time.

Mr Wiseman: Full-time.

Interjection: How much work did you do other than that?

Mr Ruprecht: A full-time job, nine hours a week.

The Chair: And you fit that into how many hours? Fifty hours?

Mr Ruprecht: In addition to that, of course, you have students to see and work to prepare, but essentially it's nine hours of lecturing to a class.

Mr Derek Fletcher (Guelph): And then research.

Mr Ruprecht: If you are experienced, you don't have to do much more than nine hours plus grading papers. If you're not experienced, you have to study harder. But essentially, you've got a good point.

The Chair: So you took this 90-hour job a week for more money?

Mr Ruprecht: This is more than 90 hours a week.

Mr Wiseman: The reason I bring this up is because I've had a lot of discussions with Gary Polonsky, who is the head of Durham College. Durham College has experienced a 43% increase in enrolment in the last three years, and has virtually experienced a zero increase in its funding transfers from the province. You have to ask the question, "How did you do that?" What they did is they right-sized, to borrow Mr Kwinter's phrase, the administration. In other words, they've eliminated most of the administration in the system.

Administrators now teach at Durham College all the way down the system. Maybe Gary Polonsky and one or two others do not, but the indication he has given us is that

where they used to have administrators before who did nothing but administer, they are all in the classroom now. With just a one- or a two-hour increase per week within the university system in terms of lecturing and attenuating work that would go into that, the system could absorb the numbers of people increasing, if you were to downsize the senate and the administration and so on.

I've raised this again because I think that my colleague Mr Perruzza has raised the issue about school boards and about the size. In the 15 years that I taught, I saw the bureaucracy of the Durham board expand from one little building in north Oshawa to that building and a whole industrial unit in Whitby. I think we need to have comprehensive audits in all of these areas to address this situation about whether the money that is being spent is delivering the service to the client in the way that is the most efficient.

Ms Campbell: I have two questions for the committee. The first is, as far as the text under the heading "Transfer Recipients" is concerned, I have a feeling that perhaps the direction that should be followed at this point is another general overview of what each of the MUSH sector representatives said in the form of their presentations; rather than focusing on one or two specific issues that they raised, just do a general overview of each presentation.

The second question deals with the recommendation that the committee would wish to make under this heading. Would it be a variation of what would be found under "Social Issues" or is there a desire to make a recommendation under this heading?

Mr Kwinter: I would suggest that we do a variation of the same concerns we had under "Social Issues."

The Chair: Mr Johnson, agreeable?

Mr Johnson: Yes, I would agree with that.

The Chair: Any other comments? I think we should get a comment from Mr Carr. I see he has slipped out for a minute.

Mr Ruprecht: Why?

The Chair: There he is. I knew he just slipped out.

Mr Perruzza: Mr Chair, you told us the other day that we couldn't point out when someone wasn't here.

The Chair: What am I supposed to do? Just sit here and say nothing? I knew he was right out in the hallway. I could see him.

Mr Carr, we were just waiting for you because I saw you turn around at the phone there in the hallway.

Mr Carr: Pleased to be here.

The Chair: You're our main soldier from the Conservatives. Did you want to repeat it again, Ms Campbell?

Interjection.

Mr Carr: I felt like I had to give a 20-minute speech. Ladies and gentlemen—sorry. Go ahead, Elaine.

Ms Campbell: I'll just repeat the two questions I asked a few moments ago. The first dealt with the text that would appear under the heading "Transfer Recipients." I asked if it was a case of, once again, the committee wanting just a

general overview of what municipalities, universities, colleges etc said in the course of their presentations.

Mr Carr: The reason I think it has to be is that we won't get an agreement on anything other than that.

Ms Campbell: The second question dealt with the recommendation that the committee would wish to make under this heading. There seemed to be an interest in perhaps repeating a variation of the recommendation that appears under "Social Issues" with respect to efficient delivery.

Mr Carr: I agree.

The Chair: So we're all in agreement on that.

Mr Wiseman: I did add that perhaps all these institutions should do comprehensive audits to determine the most efficient delivery system of the services, with the client being the focus and not the administration. What I fear is that it's easier for some of these people to say, "The province isn't transferring us enough money," when in reality what they really need to do is readjust their administration systems and the delivery of the services.

Ms Campbell: Is that the recommendation then that the committee would like to make as a whole?

The Chair: Are you comfortable with the direction of the committee as it is now?

Ms Campbell: Yes.

The Chair: As we're winding up here, are there any other comments the committee members would like to make on an overall basis?

Mr Carr: Not that we're that far along. I just wanted to very quickly thank all the people who were involved in putting it together. It hasn't been easy at times. So to our clerk, to the Hansard people, to Elaine and so on, thank you very much. We know how hard it is to put this together, especially when everything's run so smoothly. I just wanted to quickly thank them, not that we're at that point, but in case we do, thank you very much. We appreciate it. We know what you did to get this out for the night and then over lunch hours and everything else. We do appreciate it, even though sometimes we forget to thank you. That's all.

Mr Johnson: Likewise, I would like to thank the staff who have so ably assisted us throughout this process. I think they certainly are always deserving of credit, which maybe we don't always publicly announce.

I just want to say that I'm very pleased we have had a certain amount of agreement made so easily during the last couple of days. I know in these committees so often we are partisan and find it very difficult to agree on anything.

I know it's very easy to speak retrospectively. We can speak retrospectively about 10 or 20 years ago and we can indeed speak retrospectively about things that have happened only in the past year or two. Certainly we can condemn things that have been done over all those years and we can praise things that have been done during that same period of time.

Mr Ruprecht: Just stay with the praise.

Mr Johnson: I think regardless of whether it was the Progressive Conservative Party some years ago, the

Liberals more recently or the New Democrats today, depending on your partisan viewpoint, you can find things to praise or things to condemn. I just think, given the very serious situation the province finds itself in economically and fiscally, there are certain things that have to be done regardless of the party that's in power, quite frankly.

I think we've heard some very interesting comments and observations from all the presenters. Of course, they're not here today, but I think their purpose was well intended. Although our final brief will be somewhat general, I earlier indicated that I thought it would be important to send along with that brief the summary of recommendations as we had them made available to us, so that reference can be made to the observations and comments that were made by those presenters who were before this committee. I'd like to thank everyone again.

The Chair: Okay, Mr Johnson, you have a motion.

Mr Johnson: I move that the subcommittee be authorized to give final approval to the committee's report and that the Chair be authorized to table the report in the House.

Mr Wiseman: Can I just make a comment before that?

The Chair: Is that an addition, since we just passed the report?

Mr Wiseman: I was just going to say that it's been traditional in the past, at the beginning of the report, to thank all of the people who presented before the committee, and I think perhaps that would be a nice thing to do. It would be nice to continue that tradition.

The Chair: Thank you. I'll take your direction.

Mr Johnson: A very good comment.

The Chair: Mr Johnson has moved that the subcommittee be authorized to give final approval to the committee's report and that the Chair be authorized to table the report in the House. I guess I'd like to thank all the members of the committee for their cooperation.

Clerk of the Committee: We have to vote on that.

The Chair: Okay, everybody's in agreement? All those who agree, put up their hands.

Interjections: Agreed.

Mr Perruzza: Agree to do what, Mr Chairman?

The Chair: To report it to the House. Opposed? None opposed.

1540

Mr Wiseman: Do we need a special motion to send the report to the Treasurer prior to it being tabled in the House?

The Chair: It's already done. We're one step ahead of you, Mr Wiseman. The dissents will have to be in by Wednesday, March 17, 4 pm, to the clerk's office.

Mr Perruzza: Does this mean—

The Chair: Can I just get finished here, Mr Perruzza? Also, next Thursday, March 18, the subcommittee and Chair will meet in this room to look over the report, the finished draft; Thursday, at 1 o'clock, March 18.

Mr Kwinter: On a point of order, Mr Chairman: The only difficulty I have is that we have approved the broad framework of what this report is to be. Until we see a draft—once the draft comes out, we may find there are things in there that don't interpret what we thought we had agreed to and we may want to do something about that, but there's no provision to be able to do that.

The Chair: The subcommittee will be going over it.

Mr Johnson: That's a fair statement, because if the subcommittee can't agree that this is the document we want to present to the Legislature and to the Treasurer, then it'll have to be revisited, or delayed, I would suspect.

The Chair: We'll have to come to an agreement on this, so, Ms Campbell, make sure you write it properly.

Mr Wiseman: Could I ask a question as a potential solution to this problem? I understand that we were authorized to meet for one more day for this committee. Is that correct?

The Chair: Tomorrow.

Mr Wiseman: If we don't meet tomorrow, is it possible, with the agreement of the House leaders, that if the scenario unfolds the way Mr Kwinter has suggested, we ask them to meet one more day, not next week but the week following, in order to—

The Chair: It's too late. March 22 is the date for us to hand a copy to the Treasurer. That's why we're meeting on the 17th. Even to meet next week, I bet you if I ask for hands in here, most are with their children on the March break and it'll be very difficult.

Mr Johnson: Indeed. If I could just make a comment, that's—

The Chair: And you're going to come home early, Mr Johnson.

Mr Johnson: Yes, I sure am.

Mr Perruzza: I forgo my March break holiday, because I think this is more important. It's for the taxpayers of the province of Ontario.

The Chair: You can come with me on Thursday.

Mr Johnson: I just want to make a comment that someone from the government will be here to check this out, but—

Mr Ruprecht: Why are you looking over here?

Mr Johnson: I'm optimistic that someone from the committee will be here. I don't know what kind of merit it will have to send someone from the government to review this. It hasn't really been a participant in the process. So I'm a little nervous about this, but we'll see what we can do.

The Chair: Can I get approval from the committee here that if the subcommittee cannot agree on the finished draft report that will be submitted to us, we approach the House leaders to wind up delaying the written brief until we wind up having one more day for the committee to sit, like Mr Kwinter's concern?

Mr Kwinter: I have no problem with that, other than there seems to be—

[Failure of sound system]

Mr Kwinter: —not going to be able to consider it in the preparation of the budget.

Mr Johnson: I don't think that's necessarily so, quite frankly.

Mr Kwinter: That's the information I was given.

Clerk of the Committee: It has to be tabled in the House on the second day we come back.

Mr Johnson: It has to be tabled in the House on the second day, and there are some—

Clerk of the Committee: That's in our Votes and Proceedings.

Mr Johnson: What are the time constraints, then, that demand that the Treasurer have it by the 22nd?

Clerk of the Committee: I spoke to Catherine Schuler in the budget secretariat. At first, she originally told me the middle of March. So then I asked her, "Can we get it to you on March 22"—and she said okay—"for him to consider for inclusion in the budget process?"

Mr Johnson: Having worked recently in that ministry, I'm under the impression that there isn't a deadline, that the Treasurer isn't demanding that it be there on the 22nd. In fact, to be fair and honest, I think that if he was to receive it before the end of the month, he would still have adequate time to take the report into consideration.

Mr Kwinter: Mr Chairman, that would solve our problem, because any time after the 22nd, we will have, either myself or Mr Phillips, or both of us, as many people as you need to take a look at the document just to see the final draft.

The Chair: Okay then, we need an agreement here by the committee to go to the House leaders to meet one more time.

Mr Kwinter: The 22nd or after.

The Chair: The 22nd or after.

Mr Wiseman: Only if it's necessary.

The Chair: Only if it's necessary. Let's say the subcommittee can agree, that the finished draft is approved by the subcommittee. But if it can't be agreed by the subcommittee, we meet one more day, and the subcommittee will pick the day that we meet.

Mr Kwinter: Mr Chairman, Mr Johnson had raised what I think is a valid point, and it certainly pertains to our caucus. There are only two people in our caucus who have been on this thing more or less the whole time. Neither one of us, Mr Phillips nor myself, will be available until the 22nd. So if you're just looking for a body to attend a subcommittee meeting, he or she is going to have very little input. They're going to sit there and look at it, and they're not going to be in a position to really make any kind of determination, because they will have had no experience listening to everything that went on, listening to these discussions.

Mr Perruzza: Tony, you just became a body.

Mr Kwinter: No. With all due respect to my colleague here, he is—

The Chair: Mr Perruzza—

Mr Ruprecht: I'm just a sub.

Mr Perruzza: Yes, a body.

Mr Kwinter: He's just a sub. He's only sat in a couple of days.

Mr Ruprecht: I didn't even know I was going to come today.

Mr Kwinter: What I'm saying is that I would have a greater comfort level if I had a chance, or Mr Phillips had a chance, to look at this one more time before it is finalized.

The Chair: You're saying March 22, we meet in the morning.

Mr Johnson: Or after.

Mr Kwinter: Any day that's convenient after March 22.

The Chair: That would be a Monday. We could just about be on deadline there, because you're going to have it all prepared. Then we approve it. It's gone. So by 4 o'clock on the 22nd, a copy will possibly be going to the Treasurer, and we'll still meet our deadline.

Mr Kwinter: Yes.

The Chair: So we have it on March 22. I'm taking a look. Mr Johnson, you'll be back then on the 22nd?

Mr Johnson: No, I won't. Mr Wiseman and, I understand, Mr Jamison will be; I won't be. But I would like to move that we agree to meet as a committee on Monday, March 22, to review the final draft. Can I move that motion, or is there a problem with that?

Clerk of the Committee: You need approval.

Mr Johnson: We need approval by the House leaders, do we?

Clerk of the Committee: Yes.

Mr Johnson: Okay.

Clerk of the Committee: Add that.

Mr Johnson: —“on approval by the House leaders.”

The Chair: Discussion? All those in favour? Anybody opposed? Nobody opposed, okay.

Interjections.

Mr Johnson: In a sense, we're forcing their hand, aren't we—the House leaders' I mean—because if we're not going to meet until that point in time, we're all gone and they're probably going to be keen to oblige us.

Mr Kwinter: Mr Chairman, just to clarify, it's my understanding that we already have approval to sit tomorrow if need be.

The Chair: That's correct.

Mr Ruprecht: Good idea.

Mr Kwinter: We're not having an extra sitting—

The Chair: We only transferred it.

Mr Kwinter: —and the only constraint we had was the information I had that this had to be in the hands of the treasury people by the 22nd, and if we can meet on the 22nd, I don't see any problem with the House leaders. They've already approved the extra day. We're just saying, instead of the day being tomorrow, it's going to be on the 22nd.

The Chair: Okay. The clerk just told me we can't transfer Friday to another week, but we'll have to ask the House leaders. I don't think there will be a problem.

Mr Ruprecht: There shouldn't be. I have a very quick question, and that is, I suppose it's almost obvious—

The Chair: Do you want to get up to the mike? You're not being recorded.

Mr Ruprecht: It doesn't matter. I just wanted to find out—I guess we can't have this ready by tomorrow, right?

The Chair: Tony, you've written a book. Maybe you could help her tonight and it will be ready tomorrow.

Mr Ruprecht: With Elaine, I would help any time.

The Chair: Okay. Then tomorrow morning we meet here at 10 o'clock and you're going to help Elaine tonight to write it.

Mr Ruprecht: Elaine, do you agree with this, or what? Is it the committee's wish?

The Chair: We'd better tell Hansard we're just fooling.

Mr Ruprecht: We should cut this out. You told me to be close to the mike, didn't you?

The Chair: No further comments? This committee is adjourned.

The committee adjourned at 1551.

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*In attendance / présents

Substitutions present / Membres remplaçants présents:

Dadamo, George (Windsor-Sandwich ND) for Mr Christopherson

Fletcher, Derek (Guelph ND) for Mr Christopherson

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND) for Ms Ward

MacKinnon, Ellen (Lambton ND) for Mr Sutherland

Perruzza, Anthony (Downsview ND) for Mr Ward

Ruprecht, Tony (Parkdale L) for Mrs Caplan

Clerk / Greffière: Grannum, Tonia

Staff / Personnel: Campbell, Elaine, research officer, Legislative Research Service



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**Standing committee on
finance and economic affairs**

Pre-budget consultations

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Lundi 22 mars 1993

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Ron Hansen
Clerk: Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 22 March 1993

The committee met at 1013 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Ron Hansen): This is the standing committee on finance and economic affairs, and before us this morning we have the draft report on pre-budget consultations. We have agreement from the three parties that we'll be recording by Hansard but we won't be going on TV.

I guess we can start out with Ms Campbell, if you can give some explanations. Maybe she can give us some ideas ahead of time on how she's written up this draft report on the direction we've given her. We're going to go section by section, so, Ms Campbell, can you give us some ideas before we get started on exactly what you've done.

Ms Elaine Campbell: I'll start with the introduction, and there may be some comments to be made after I've made a short statement. You'll notice that there were two paragraphs added to this section, as requested by the committee. The third paragraph is sort of a lead-in to what follows and the fourth paragraph thanks the groups and individuals who appeared before the committee.

The Chair: Any comments? Mr Carr.

Mr Gary Carr (Oakville South): Just down to the part where it says "The Current Situation," the first section there, from the introduction down, I think it's fine myself. Just down to page 2, that's fine. The introduction is fine with me.

The Chair: Mr Kwinter?

Mr Monte Kwinter (Wilson Heights): I have no comments.

The Chair: No comments. Mr Jamison?

Mr Norm Jamison (Norfolk): No.

The Chair: Okay. We'll go over to page 2 then.

Mr Jim Wiseman (Durham West): How far are we going?

The Chair: Okay, "The Current Situation." Is everybody in agreement?

Mr Wiseman: Down to the bottom of page 3?

The Chair: Halfway through page 3, on "The Current Situation." I think maybe if we don't go too far we can—we wind up taking too many titles and then we wind up getting confused. We're all in agreement till the middle of page 3 on "The Current Situation."

Okay, "Debt and Deficits." We'll go just about to the end of page 4.

Mrs Elinor Caplan (Oriole): On page 3, at the bottom, where the last paragraph begins, "The conference board estimated that the existing debt was \$600 billion, not including crown corporations," is there any place where there's been a documentation, particularly for Ontario, of the debt of crown corporations?

Ms Campbell: I could see if anyone who made a presentation to the committee referred to that specifically.

Mrs Caplan: We know what the debt is of Ontario Hydro, and I know that, because the province guarantees that debt and also because the policy of this government is to establish a number of crown corporations with the intent of moving debt to those crown corporations, it might be significant at this point to include that kind of reference.

The Chair: I think the Canadian Manufacturers' Association had made some comment on the cost of hydro and the debt. Mr Perruzza.

Mr Anthony Perruzza (Downsview): Mr Chairman, explain to me exactly what we're doing right now. We're reading this, and is now the appropriate time to make comments on what's here in front of us?

1020

The Chair: Actually, if there's something that should be added to make clarification or if there seems to be something that is not too clear, to clarify it. I wouldn't say there are incorrect facts in here; but all these facts have been brought forward and the researcher has taken a look at it to find out whether what was said by a particular group was a true figure.

Mr Perruzza: Here's what my concern is: In the recommendations, we're talking about efficiency; recommending efficiency and the rest of it, both within government and sort of our arm's-length, semi-private, public sector. By that, I mean schools, hospitals and everything else.

We're talking about how they have to be frugal and how we have to be frugal with transfers, but we're not underlining some of the things that have happened over the last 10 years in all of these sectors in terms of growth, both in numbers of people, with government—I mean, what happened between 1980 and 1990, for example, in terms of how government has expanded and what kind of growth has also happened with respect to our transfers?

We're saying we have problems here, but we're not detailing the pattern of how those problems have arisen, right? I think we should make some mention of that, primarily in the introduction, especially when we get to the section on debt. You can't talk about debt without talking about what this government is committed to in terms of transfers and the supply of money to our transfer partners. When the economy fails out from under you, you're faced with a debt; there's no other way around it. I think you need to emphasize that and I don't see that in here.

The Chair: You're talking about a history lesson. Ms Caplan.

Mr Perruzza: No, I'm not. Absolutely not.

Mrs Caplan: I was going to say that if Mr Perruzza is looking at documentation, I think we might also add a section on the effect of the policies of this NDP government and the mistakes they made in the first two budgets, particularly the first one that has exacerbated the difficult situation we find ourselves in Ontario in today. I think it's the sort of thing that—if you wanted to look at that in the historical context, we could spend quite a bit of time enunciating the mistakes that were made that have created this situation and made it worse than I believe it had to be.

Mr Jamison: I think what we have to make clear is the extent of the financial situation the provincial government is experiencing. If we make the figures understandable in the report rather than deviating and getting too far into background—although I have to say that some forms of background can be helpful. Traditionally, because of the size of government, it's a hard ship to turn around when it's travelling on.

At the same time, I don't think we should delve into anything other than the financial reality. This finance and economic report certainly has a background, but different people will expound differently given the different opportunities that present themselves. But really we're looking at the finances of the province and in general terms we want people to understand what the finances are at this point.

The Chair: You're saying then pre-budget consultations in past years. Anybody can get those books out and see what went on there rather than a history lesson.

Mr Carr: My only feeling is as we get into—basically the whole report, other than a couple of questions, I could agree to. We've already hashed out some of the things we couldn't have agreed to in the last week and we could include them in some of the things we would like to see.

The only thing I'd point out, if we get into taking a look at this government's performance or whatever, then we're going to be here all day, because we won't agree, and I think there's a bit of a consensus. That's the only thing I'd like to say. We could spend all day going back and forth on this, but at the end of the day we'll end up having no consensus, time will run out and we'll have no report.

I can live with this in terms of an assessment of where we're at and what we've heard. Later on, I'd like to expand on the things that I'd like to see us do that I know we can't get agreement on from the other side.

Having said that, I think that will make it go a little bit faster. Otherwise, just keep sight of the fact that we may run out today with no agreement even on any type of report, which I think would look very bad for this committee, because I think we should try to come to some type of agreement on some of the things. This is a pretty good step, taking a look at all the political backgrounds of all three parties to get some type of report.

The only thing I had a question on with Elaine was at the bottom, talking about the 20% of the federal and 40% of the provincial debt levels being held offshore. I just wanted to check because I wasn't too sure: Where did those statistics come from? Are they accurate? Was it a presenter who gave it to us, or did we look?

Ms Campbell: Those figures were provided in the presentation made by the conference board.

Mr Carr: I just wondered, because I had heard different figures and the Treasurer, when he was here, didn't present any figures of provincial being 40% at all, or did he?

Ms Campbell: That's why I prefaced that paragraph with the reference to the conference board, because the information was provided by that particular presenter.

Mr Carr: Okay. Those are the only comments I wanted to make, that if we are going to get any type of agreement, then anything we put in that isn't in here now, we're going to argue about all day, and at the end of the day we'll have absolutely no agreement.

The Chair: I agree with you, Mr Carr.

Mr Wiseman: I'd just like to echo what Mr Carr has said about how if we start trying to turn this into a political bashing document, it's not going anywhere. If that's the direction some people want to take, I'm prepared to sit here until hell freezes over to put everybody's mistakes on the record for the last 20 years. That won't do anybody any good. So I think we should be cognizant of that.

I would like to reiterate again what Mr Carr was saying. I had it circled, the 20% of federal and 40% of provincial. Those are not the numbers that I recollect having read in other places. It may well be that 40% of provincial means all of the provinces—

Mr Kwinter: It does mean all of the provinces.

Mr Wiseman: —but I would prefer that this document reflect Ontario and say what our situation is in terms of foreign borrowing as opposed to borrowing either from the—what percentage is made up of teachers' pension funds, what percentage is made up of borrowing from the Canada pension fund, what percentage is borrowed using Ontario bonds, how much of it is borrowed from the Province of Ontario Savings Office, how much is borrowed from other banking institutions in Ontario and how much is borrowed offshore.

In terms of making a recommendation around this kind of debt for the province of Ontario, I think how much is borrowed offshore has huge significance. What happens is that if we start to be moving towards offshore borrowing, then we'll be taxing the taxpayers of Ontario into the future and sucking the investment potential money out of the province of Ontario and giving it offshore. That has some tremendous ramifications for economic recovery and long-term growth.

I think a recommendation and an understanding of that in this area would have some implications for the recommendations to the Treasurer. For example, if we are beginning to borrow more and more offshore, I think that makes it even more important for changes to be made in the way we finance that and so on, and what we do about that. It's one thing to borrow within your own boundaries and have the money circulating in the economy; it's quite another thing for the money to be leaked.

The Chair: Mr Carr, do you agree with this, that the province of Ontario should—

Mr Carr: I agree with that. I just thought the federal was higher, and I would like to see Ontario's percentage in there. I'm sure we can get that.

The Chair: It doesn't tell us because it's all the provinces grouped together.

1030

Mrs Caplan: It might be helpful, and I'm sure the Ministry of Treasury and Economics has it or could produce fairly easily a graph that shows the level of foreign borrowing for Ontario, say, over the last decade, which I think would be very helpful in understanding what the situation is. It could show the total foreign debt compared to the domestically held debt, but I think in graph form if we're looking at something that will be easy for people to understand. Perhaps we could ask the ministry to produce a graph or two on the level of foreign-held debt and a graph over the 10-year historical period from 1982 to 1993.

The Chair: If I'm hearing right, leave this figure in for all the provinces but put a supplementary graph in to show Ontario alone.

Mrs Caplan: Break out Ontario.

Mr Perruzza: While we weren't going to get into sort of a partisan dogfight on this, all I meant to suggest earlier—and I suspect that my Conservative colleagues, if they looked at this, would agree—was that we add a paragraph, because I think it's important to detail and to go through a bit of the history on why we're in the mess we're in.

While I agree with my Liberal colleague, who says, "Let's put in a graph," you and I will both know exactly what that graph will show. It'll simply show a debt load for the last two years, because when you look at the taxation levels and when you look at expenditures, I guess for the period of the late 1980s, you'll find that the two sort of equated and what you'll see is that over the last two years there'll be a negative downslide in terms of where we've had to go off and borrow.

The Chair: We're talking percentages.

Mrs Caplan: Foreign-held debt; that's right. The percentage of the total debt that's foreign held; that was the question.

The Chair: I think it's very important for the public to know and for the Treasurer to know on these percentages. There are some other graphs that are in there that give a little bit of a history story of—

Mr Kwinter: Just for clarification, we're not talking specifically about the debt. Whatever the debt is, we just want to know how much of it is foreign held as opposed to what has happened historically over the last decade. I don't know what particular year, but this year percentage-wise isn't much different than 1981 in the amount of foreign debt; not the quantity of the debt, the percentage of it.

Mr Perruzza: My concern is that won't give an accurate picture of what exactly has happened. Although it speaks to a very specific issue in terms of the debt, it doesn't speak to how government has been shaped over the last decade in relation to the debt. So what you get by doing that is a misleading picture of what's happened.

The Chair: I don't think it's misleading at all. I think the thing is that it depends on where the money is fluid at that particular time, whether it's fluid in Ontario, that there's money to borrow, or there isn't any money available, that you have to go beyond the borders of Ontario, and this is what people want to see.

Mr Perruzza: I agree with that but I think you also need to develop a similar graph that shows where government has gone over the last 10 years as well, in terms of expenditures and taxation.

The Chair: You're talking about a history lesson again.

Mr Perruzza: No, I'm not. I'm talking about a graph. I'm not talking about a history lesson. I'm talking about one paragraph which will detail how government has grown as well in relation to tax levels, and then you can do your debt side.

The Chair: I'll hear from other members of the committee. Mr Wiseman and then Mr Jamison.

Mr Wiseman: I think what we're really grappling with here is, how complex a document do we want to make this? I hear what my colleague is saying in terms of laying out how we got to this situation.

My major concern, though, is really twofold and that is that we need to make recommendations to the Treasurer and I am prepared—I am prepared; I haven't discussed it with my colleagues—to try and indicate to the minister that I view foreign borrowing as a very serious problem that should be avoided at all costs, literally at all costs in terms of making sure that we don't have to go offshore, because I see that as a major issue in the long-term growth of the province.

If we wanted to get into how deep we wanted to go, I think we could talk about what Comer was talking about, and that was the multiplier effect of the reserve ratios of the bank and who controls that and how that could be a useful mechanism for perhaps financing the province of Ontario through the Province of Ontario Savings Office. But I'm not sure how deep we want to go. If we start putting in too many recommendations, they start to get lost in the volume. The reason I raise this about the foreign debt is because I am absolutely—

The Chair: You raised that in your last statement also, so I'm going to go on to Mr Jamison.

Mr Jamison: I don't particularly have any problem with the request. As a matter of fact, if we're going to use graphs, and it seems to be something the committee has indicated would allow people to better understand the report, I believe that there are ways to draw the relationship to debt to other provinces across the country, and that's in the per capita sense. Graphs of that nature should be there.

Also, I think it's significant to have an understanding of the overwhelming effect of what has taken place. Possibly, two or three graphs would be important to quickly explain to people who may not have the ability or the time to read the report in full and take it in, and that is the percentage increase in budgetary deficits over the last year, province to province. I think that's symptomatic and would spell out basically what kind of situation many governments are in.

The Chair: We can talk about this graph for hours. I think everybody is in agreement to put the graph in. Just so I get a better indication as Chair, is anybody opposed to putting the graph in?

Mr Perruzza: I'll move that two graphs be added: one on how the debt is spread out and who controls the debt, essentially the Liberal request; and the second graph detailing government expenditures and government growth, both in direct government, Ontario government, and the semiprivate public sector over the last 10 years, period. It's really simple: two graphs.

The Chair: Does everybody agree with that?

Mr Carr: The second graph that Anthony is talking about would be taking, the way I understand it, the original \$23 billion all the way up to where we are now and just throwing on a graph each year where the spending is, total, bottom line?

Mr Perruzza: Exactly. In 1980, it was \$26 billion or \$27 billion; in 1990, it was \$44 billion. In terms of real people, that's important; you need to know where you've been, because those are the commitments.

The Chair: Do you want the population also, did you say?

Mr Perruzza: It would be good if the numbers of employees could be added on the other side in terms of the people dependent on government and working for government over the last 10 years.

Mr Jamison: It's important to understand it in relative terms. This is an experience that every province is having. The only way to really understand the debt load of the province is to really understand the per capita debt load of the province. The fair way of assessing the debt load on the people who pay the taxes out there, who make up the taxpayers—to put it on a per capita basis is one way to look at it so that people can see in a definitive way in one glance what level the debt is per capita.

The other suggestion was the percentage increase in debt load, province to province, from their budgetary outlook, just to show the dilemma that all of us are in. Both can make a report much simpler to understand in the context of understanding the immensity of the problem.

1040

The Chair: I think we have those graphs already. Can we go back? I want to know exactly what everybody here wants now and see whether we agree on what you have heard from the committee. Can you go back to exactly what is requested on these graphs?

Ms Campbell: Yes, I'd like to confirm what the committee, in terms of a consensus, has requested. But first of all I'd like to preface my remarks by saying it's my understanding that the report has to go to the Treasurer by Thursday. That means I would have to have my work completed by at least Wednesday. That gives me a day and a half to pull all this information together. It might be rather difficult to pull together all the statistical information that the committee has requested. Is there one graph or table that is deemed more important than the others?

Mr Wiseman: Yes, the breakdown of foreign debt.

The Chair: I think that was the main one. If we could have that one chart, that would be very simple. Most likely, in 15 minutes you'd have all the information on the borrowing faxed from the Treasurer, because he'd have those facts and figures there for the last 10 years.

Mr Perruzza: There is already, and I've seen it, a graph which outlines government expenditures over the last 10 years in terms of growth and also revenue.

Mrs Caplan: It's in the budget.

Mr Perruzza: It's in the budget, but I think it's also important to use as part of our report.

The Chair: I think the Treasurer would know this already.

Mr Kwinter: We're looking for borrowings and we're looking for the percentage of foreign borrowings. That's really all, I assume, we're talking about. We're looking at the borrowings over the last 10 years, and in each year, what percentage of the borrowings of the province of Ontario were foreign—that's all we really want to know—and to see how that has changed.

Mr Perruzza: And you don't think that correlates with expenditures versus revenues?

Mr Kwinter: No.

Mrs Caplan: It's unrelated.

Mr Kwinter: Some years you have expenditures and revenues that almost balance and other years you don't.

Mr Perruzza: Exactly, but don't you think it's important to detail that?

The Chair: No, the Treasurer knows that already.

Mr Kwinter: We know that. I assume all we're asking for is that we want to know, because of what we think is the negative significance of having foreign borrowings, in the last 10 years, how that has changed or if it has changed or what the history of foreign borrowings is over the last 10 years.

The Chair: Mr Perruzza, there's one thing to understand. The comments that you've made today are in Hansard. Treasury will be reading Hansard, so your ideas on that won't be lost if they're not in the report.

Mr Wiseman: I want to go back to what this report is trying to do. For me, this report is trying to highlight what are significant recommendations to the minister. When I raised the issue about the percentage of foreign borrowing, it's because when we borrow offshore, we have to pay offshore. That money then becomes a leakage in terms of what is available. The larger the leakage, the more serious it becomes for the economy and the growth of the economy. My recommendation would be that we avoid offshore borrowing as much as possible.

The second part of this, that we didn't talk about, is that when the government borrows domestically, it forces corporations to borrow offshore and the whole debt crunch spiral becomes—there are two of them going on at the same time: One's the private sector and one's the public sector. What both of them do is dry up the amount of available capital for borrowing. So what I'm trying to emphasize for the minister in this section is that we must be

really cognizant of our offshore borrowing, that we must curtail it and try to prevent it as much as we can. To put all of the other things in here I think could perhaps diffuse or muddy the recommendation.

The Chair: Okay, I think we're all in agreement on that. Is everybody okay?

Ms Campbell: I'd just like to ask some further questions re what the committee would like done to this particular section, "Debt and Deficits." It's my understanding that there was consensus that there be a further reference to Ontario's actual debt and that of Ontario Hydro and that the committee wished further information on the amount of Ontario's debt held offshore and that will be portrayed in graph form. Does the committee wish to make a recommendation about offshore borrowing under this section?

Mrs Caplan: I think it's important, and I think the point Mr Wiseman has raised is an excellent one. If we're making recommendations to the Treasurer and to the government, I think an excellent recommendation might be that we ask the Premier to refrain from making derogatory statements about stability and the economic situation in Ontario, such as he did when he went to Hong Kong and when he went to Davos, when Ontario was portrayed in a very bad light. Since foreign borrowing is a concern, and we recognize that we are always vulnerable, I think a recommendation from this committee that says: "Senior government officials, the Treasurer and particularly the Premier should be aware, when they travel on behalf of Ontario and make statements about both the creditworthiness and the economic stability and the confidence that we have in Ontario, that the Treasurer and the Premier in particular not make negative statements which will adversely influence foreign investors."

Mr Jamison: I don't believe any document dealing with finance and economics should take to task anyone on any—

Mrs Caplan: I'm talking about for the future. I'm not saying you have to document and say because he did in Hong Kong and Davos; I think as a recommendation you could say that it wouldn't be a good idea to do that. Surely you think it's not a good idea to do that.

Mr Jamison: Elinor, if in opposition we had asked you the same question, I know what your answer would have been.

Mrs Caplan: My answer is that the Premier should not leave and go to Hong Kong and go to Davos, where our foreign investors are, and shake their confidence in the creditworthiness of Ontario. As long as we are vulnerable, it's very important that the Premier and the Treasurer understand how important it is on that international stage to be champions of Ontario and not to create any crisis of confidence in our creditworthiness.

Mr Jamison: If I might, Mr Chair, the Premier reiterated our long-standing disagreement with the type of trade agreements that have been prevalently produced over the last number of years in North America, indicating that those agreements did not serve us well, and if I recall rightly, Ms Caplan's party made it clear in its term, especially going

into its second term, that its position was clear on the agreement whether to support it or not, subject to six defined issues.

Mrs Caplan: Mr Chairman, with respect, the former minister is sitting here, and he can assure you that no member of the previous Liberal government ever left this country and badmouthed Ontario on the international stage.

Mr Jamison: Their position was made well known, and news travels. So to ask us to do something differently than they would have done themselves and have done in the past, I certainly can't agree with.

The Chair: Mr Kwinter, any comments?

Mr Kwinter: Yes. I just want to say for the record that to suggest that we were opposing any of our trade pacts or treaties is just not true. We definitely felt that the free trade agreement that was negotiated could have been a better deal, but we were not opposed to the deal.

I also want to put in for the record that if you take a look at the last two years, the only reason the recession in Ontario and in Canada has not been worse than it was is because of our trade. The only bright spot in the economic sector has been the growth of trade, where we've had absolutely record trade figures, and that is as a result of being a trading province. We are absolutely dependent on trade, and for the Premier to go out and suggest that these trade deals are negative and are going to hurt the province is patently silly. I would agree that there have to be safeguards, there have to be conditions in there to make sure that the environment and labour and everyone else is protected, but certainly it is to Ontario's interest to have the broadest trading opportunities possible, because that's what gives us our vibrant economy.

1050

Mr Jamison: I couldn't agree with that last statement any more. The problem is that what we have is something that does not produce that. If we look at the sanctions that have been put upon us by our trading partner in various sectors time after time after time, the latest being in the very basic sector called steel, we don't disagree that there should be a good and healthy trading relationship, especially between the two countries, but it should be much fairer than it is now, the problem being that the elements to make that a fair trading atmosphere were not properly looked at in any agreement.

Mrs Caplan: The point I was making—and Mr Jamison has missed the point—is that's a very important debate, the debate about both the free trade agreement and NAFTA, the North American free trade agreement. That's an important debate for us to have here. But for our Premier to be a whiner on the international stage in a way which might affect adversely the ability of Ontario to attract investment and to have the confidence of foreign investors—I think it is a proper recommendation from this committee that says, in the future, no member of the Ontario government, from the Premier to any member of this Legislature, should go on to the international stage and shake the confidence of foreign investors in Ontario's economy. That's the recommendation I'm suggesting. It's

not a debate on the agreement; that we have here within our borders. Don't wash our dirty laundry on the international stage in such a way that it's going to affect investor confidence in Ontario. That's the point.

Mr Jamison: Elinor, we could not stifle our Premier and our opposition to the flawed agreements that are out there.

Mrs Caplan: Well, maybe somebody should go with him and tell him what's in Ontario's interest.

The Chair: Mrs Caplan, it's in the record here, so maybe we can get on with this report. As I said to Mr Perruzza, the treasury will be reading this Hansard anyhow and going over it, so it's on the record and I hope you agree we do have some different points of view here, but I think we have to carry on. Mr Kwinter.

Mr Kwinter: On another point, and I think it may be the time to discuss it, I'm looking at page 5, table 1. A couple of weeks ago, in our last week of hearings and our last week of discussing our report, I raised a concern, and I'd like to raise it again because I think it's fairly dramatic when you look at it.

I think one of the problems—and again, I'm not saying this in a partisan way; I'm just saying that we should caution all treasurers and all ministries to the future—is that in order to put the best light on their budget, the Ministry of Treasury and Economics is consistently overly optimistic to make their figures, as bad as they are, look as good as they can.

When you take a look, for example, at the projections for Ontario under "Employment," the Ministry of Treasury and Economics is 2.1%. That is almost double any other projection that you see. If you take a look at the TD Bank, it's 1; CIBC, 1.4; DRI/McGraw-Hill, 1.2; Conference Board of Canada, 1.3; Scotiabank, 0.8; Royal Bank of Canada, 1.6.

Take a look at "Real Growth." Other than Informetrica, the Ministry of Treasury and Economics is the highest.

What happens is that by using those what I consider to be overly optimistic projections, they generate what they anticipate in the future their revenues are going to be. They figure more people are going to be working, so more people are going to be paying taxes and there's going to be more growth. As a result, they project their deficits at a figure using those projections.

Then the reality sets in, and we've had that happen very dramatically where every month, it seems, the treasury people have to come up with a new projection because these figures just aren't met. What I said a couple of weeks ago and what I'm saying now is that I think there should be a recommendation to the treasury to be more conservative, small-c conservative, in their projections so that they are more realistic.

Politically, that may be very difficult, because the Treasurer—and every Treasurer has the same problem when he's crafting his budget—has to put the best face that he can. But it seems to me quite obvious and very, very dramatically set out, when you look at the employment projections, where he's not even close to what everybody else

is saying, and I think that is something that we should talk about.

The Chair: Okay. I've got one thing. We are going to finish "Debt and Deficits," and that's into "The Future" now. I just wanted to make sure that we're clear on the other part. Ms Campbell, are you clear now on "Debts and Deficits"? Yes. So then we can go on to Mr Kwinter's comments.

Mr Carr: Sorry, Mr Chair. Did we agree on the percentage? What do we agree on again?

The Chair: Can you read it back just to make sure that we're all in agreement, because I know there were some other comments thrown in. We were taking a look at the province of Ontario in the chart.

Ms Campbell: The committee agreed that it wished further reference to be made to Ontario's debt and that of Ontario Hydro, and the committee would also like more information included on the Ontario provincial debt held offshore. That would include the presentation of a graph or a table.

The Chair: Okay, I think we're all in agreement.

Mr Carr: Now that Anthony isn't here, did his spending come out?

The Chair: What's that, Mr Carr?

Mr Carr: Now that Anthony isn't here, did his spending come out?

The Chair: On to "The Future" there. Mr Kwinter just made some comments. Any other comments on the chart here? Mr Wiseman.

Mr Wiseman: Just before we leave this one, in paragraph 2 on page 4 of "Debt and Deficits," it states, "As the Canadian dollar drops in value though, the costs of servicing that foreign debt increase." I think it would be helpful, if it's possible, and I don't want to put an impossible task on the researcher—

The Chair: You're not asking her to figure it out, because treasury would figure that out.

Mr Wiseman: I would like to see included there some kind of graph or table to show how the fluctuating dollar would put a demand on the amount of money the Treasurer would have to pay out in terms of servicing the debt.

The Chair: I think the thing is that the comment's already in here. I mean, the recommendation's already to the Treasurer. For the researcher to go through all that work—which treasury normally does, because when it's taking a look at borrowing, it's taking a look at how much it costs for that dollar. So I think what we're going to do with the researcher is we're going to bog her down and she won't get the report done. Mr Jamison.

Mr Jamison: I think it's a fair comment that Mr Kwinter makes.

The Chair: But we're on "The Future" here.

Interjection: We're still back on page 4.

The Chair: He just went backwards there. So can we agree?

Interjection: All right.

The Chair: We'll carry on to "The Future" then. You know, treasury can figure those figures out, and I think it will take a look at it. It's just like when you go down to borrow money at the credit union or the bank on how much it's going to cost you on the loan for your new car. You figure out the differences between the two of them there; you don't get a consultant.

Mr Wiseman: I think you're missing my point, Mr Chair. My point is this—

The Chair: But it's already written in here.

Mr Wiseman: But the way it is written does not draw attention to the degree of importance that I place on having to pay offshore lending institutions money from the province.

The Chair: Okay, it's in Hansard. Agreeable? Okay, we'll carry on. We agree with "Debt and Deficits." We go on to Mr Jamison on "The Future."

Mr Jamison: After listening to Mr Kwinter, I think it's important to note that the forecasters in general, including the Ministry of Treasury and Economics, have had, to say the least, a very difficult time in assessing the situation on an ongoing basis. Especially now that most people feel that we're into some sort of recovery, it's very important to try and peg the rate of growth and change and its upward value to a consensual kind of level. Therefore, I would agree that we shouldn't become overly optimistic by projecting figures that are possibly higher or at the higher end, but that the treasury should be assessing that, especially in light of a recovery, more often and with a little more vigour.

1100

The Chair: Taking a look at the graphs here, it's hard to figure the employment percentage change and unemployment. Mr Kwinter, if you take a look there, in 1993, it's a 2.1% change, and we have 10.6%. This is for the Ministry of Treasury and Economics. The 1993 unemployed is 10.6%, yet you go down to the bottom here, to the Royal Bank of Canada, and they show an employment change of 1.6% and an unemployment figure of 10.6%. Can anybody explain that one to me?

Mr Wiseman: Yes. I'm glad you did what you just did, because it points out what I think is a game of smoke and mirrors with what we do with unemployment numbers. What we do with unemployment numbers is that we exclude people from the unemployment percentage if they are no longer looking for a job, which does not reflect the number of people who are truly out of work. It doesn't reflect the absolute number of people who are employed and whether it goes up or down.

Because of the way we classify and calculate that unemployment percentage, we really hide the true numbers from the population as a whole. When you talk about employment changes, those are based on the number of people who are actually working over the number of people who had jobs previously. When you look at unemployment, you're looking at a number that is going to stay high as more people come into the workforce looking for jobs that were not there previously.

I think a better number in terms of not having an unemployment percentage would be a projection of the number of people who are actually working in the province.

The Chair: As I said before, this is the crystal ball we were talking about the other day. If you take a look at real growth at the Ministry of Treasury and Economics, its figures are actually low to the Toronto Dominion Bank, yet if you've got real growth which is higher, there should be less unemployment. So it's hard to even relate. Mr Kwinter, do you have a comment on that? I thought you were done there.

Mr Wiseman: No, I'm not quite done. The reason I think it's more important for us to make projections on the absolute number of people who will be working is because then you can take that number and have a better idea of what your personal income tax is going to be and maybe even some kind of projection around possible tax revenues, employer health revenues and so on.

The way these numbers are presented here really doesn't do the Treasurer enough service in terms of being accurate. If you look at real growth percentage change in the year 1993, Mr Kwinter is right, the Ministry of Treasury and Economics is high. If you look at projections for 1994, Nomura is even higher at 4.8%; 4.2% for the Treasurer; 4.3% for the Toronto Dominion Bank; Informetrica at 4%; McGraw-Hill at 4.3%; and the Royal Bank at 4.1%. I think if we went back and looked at what they were projecting in 1990—I happen to have reflected on this last week—those numbers were way off as well.

I wouldn't have any difficulty in trying to establish a different projection or a different mechanism for projecting income revenue and what the situation is going to be, perhaps based on true employment numbers, the number of people coming into the workforce, the number of jobs being created in certain income levels as opposed to these unemployment numbers. I just have a great deal of difficulty with them.

Mr Kwinter: Could I just comment on some of Mr Wiseman's remarks? I agree there are a couple of problems that present themselves. First of all, the unemployment figures do not reflect those people who have left the workforce. The other thing that it doesn't reflect is the real numbers. The employment pool grows every year for a variety of reasons. We have the baby-boomers who are coming into the workforce and we have immigration. What happens in real numbers is that we have less people working compared to the total amount who can work, and that is not reflected in this.

To get back to my original point, it seems to me that government should be in a position where, if it takes the middle road and says, "This is the highest and this is the lowest projection and we're going to be somewhere in the middle", they have the advantage of having possibly additional income at the end of the year they can then allocate to debt reduction or some other point. Whereas if they're consistently high, which seems to be the case, that is impossible and, if anything, their deficits keep going up as the year progresses.

I think the major problem is that it makes the average taxpayer very cynical, saying: "We've got all these guys who are supposed to be experts. Why can't they figure this out? Why can't they know where we should be? How difficult can it be?" Obviously it is difficult and, given the fact that there is this problem, you would think they would take a middle road so they could be fairly close. In a worst-case scenario, if they're overestimating, it won't be that much and if they're underestimating, they get a benefit out of it.

The Chair: So you want the high and low rates, like the 1.5% to 2%.

Mr Kwinter: I'm just saying I have noticed over the last few years—and I'm not just saying this particular government—it's done for political reasons with the best face on the budget. It would be, in my mind, doing a better service to the people of Ontario if the Treasurer, as a matter of policy, tried to take the middle road with his projections so there's a better chance they will be fairly close to the mark.

The Chair: Would you say that some of the statistics come from Statistics Canada, so their figures on unemployment they sort of pick up and work with them and this information is there?

Mr Kwinter: I'm saying to you, and I don't want to be cynical, that the budget is constructed backwards. They take a look at what is happening and they say, "How can we get these figures so that they're more acceptable?" They look at it and they say: "Let's show a greater growth which will show greater income. Let's show greater employment which will show greater income and then we can get the figures—as bad as they are, they won't be quite as bad as they could be."

Unfortunately, the Treasurer came into the House on several occasions and said his projections were spot on, and they're never spot on. He always has to adjust. The reason he has to adjust is because—

Mr Jamison: Depends on the size of the spot.

Mr Kwinter: Yes, because they work backwards, whereas if they would take a look at it and say, "Okay, here's our best-case scenario, let's discount that by a factor so we have a better chance of achieving it." That's all I'm saying.

Mr Carr: Yes, I would support putting that in. I don't suspect the government would, but I think it's right and it's a lesson for other governments to learn as well, when you see the wide discrepancy there.

The question I had was more of a question on this to Elaine, because I know some of them didn't put in figures and I thought some of them had figures in there. I thought Informetrica put in an unemployment rate and I don't see it. I take it that it's not there because it wasn't in their presentation. If you look across—

The Chair: You are talking about unemployment changes?

Mr Carr: Unemployment rate. Informetrica, for example, doesn't have an unemployment rate. Didn't they make projections?

Ms Campbell: The table is headed "Economic Projections for Ontario," and if there is a number not included under a particular organization, it was because they did not provide a number to Ontario.

Mr Carr: So the numbers were related to federal.

Ms Campbell: I think, in the case of Informetrica, their focus was at the federal level.

Mr Carr: That was the only point I wanted to make. If the government will agree, I'd agree with what Mr Kwinter wanted to do.

The Chair: Does everybody agree with "The Future"? I know there were comments on the chart. Ms Campbell.

Ms Campbell: Under the heading, "The Future," would the committee like a line added to the first paragraph saying that the committee realizes these projections are subject to the volatility of the economy and are based on any number of different variables being held constant and often do not reflect real numbers?

1110

Mr Carr: I would just include that some of the presenters didn't do it specifically for Ontario only, as you just explained to me. Personally, I don't think you need to get into defending economists when they're wrong, other than the fact that there'd be the simple question—you used the example of, why didn't Informetrica put in an unemployment rate? Well, they did; they just didn't do Ontario, because of whatever reason. That's the only thing I would do. I don't think we should get into trying to defend economists, saying that these numbers can change. They can do a good job of defending themselves later.

Mr Wiseman: I think I would be supportive of some line that says that, given the difficulty with accuracy on projecting real growth over the last few years, these numbers be considered extremely variable and that the Treasurer should take that into account.

The Chair: Mr Carr, do you agree with his statement?

Mr Carr: I was going to say that we should add that especially your own numbers are the most variable.

Mr Wiseman: But you don't want to do that.

Mr Carr: No. That just sort of came to mind. No, I would have no problem, if it was just something explaining to somebody who maybe doesn't know that economic projections are such. The only problem I'd have is the one line you said about how economic growth rates have been tough to predict. I think the government has been wrong on the projections, but I don't think some of the other people had been, if we look back.

Mr Wiseman: Yes, they have. I've got the numbers at home and I looked at them on the weekend. I will tell you, for the numbers over the last three years on these projections, nobody, but nobody, got it even close to being right.

Mr Carr: With the government being the worst, right?

Mr Wiseman: No, with the government being somewhere in the middle on all of them in terms of the numbers. When we did the pre-budget consultations in 1990, we heard numbers from all of these groups, including Nomura, that the maximum unemployment rate in Ontario

would be about 6.7%, and we all know where that number went. It's not just the ministry that has difficulty with these numbers; it's all of them. If the ministry is making overly optimistic projections in some scenarios, in the next year out you can see that everybody is making overly optimistic numbers.

If you want to take a look at what's happening in the debate in the economists' community, there's a raging debate about this—what is it called?—the Kondratieff curve or cycle. The debate right now is whether this recovery we have is really the bottom of the cycle or whether it's just a little upward blip that is then going to turn down and we'll sink even further towards even a greater collapse of the economy. I think everybody's having difficulty being able to project what's going on out there in terms of the economy.

Mr Carr: I'd have no problems if we do it like that, just saying that because of the problems in the past—I just didn't want to say specifically growth versus unemployment. If we could just say it a little more broadly, however Jim worded it, that due to some of the problems in the past with economic forecasts, the Treasurer should be leery or whatever—

Mr Wiseman: Cautious.

The Chair: Comments, Mr Kwinter.

Mr Carr: As long as we don't get specific on saying either unemployment or growth.

Mr Kwinter: Without belabouring the point, the concern I've had is that all of these other forecasting agencies, whether it be the banks or the securities companies or the think tanks, when they make their projections, are almost anecdotal: They take a look at what they think are all the factors that will influence what's going to happen and say, "We think there's going to be growth of X," and if it isn't, the next year they say, "Well, we were wrong, and we think it's going to be Y this year," which is fine. There's no problem with that. It gives their customers or their clients an indication of whether it's going to be a good year or a bad year.

But with the government it's different, because its projections have a direct relationship to decisions that are being made. Their projections determine what the deficit is going to be. As a result, it's going to determine what policy decisions are going to be made, to curtail expenditures or to increase revenues and to do all of these things.

That is where my concern is, that when you go to the extremes in optimism you make decisions that have really a domino effect when you don't meet those projections, and then you have to scramble and you have to do some very drastic things. It would seem to me that we should get a recommendation to the Treasurer that if they could get to this middle road, those sorts of fluctuations would not be as extreme. That is really the point I'm making.

Mr Wiseman: I think what I was saying was that I agree with you: We would recommend that the minister be cautious in terms of projected growth, for reasons broader than that: If we put in a recommendation here that was really negative, we as a group could have an impact on the way people view the world and we could become part of a

self-fulfilling prophecy in terms of negativity, in terms of causing some things to happen that we wouldn't want to see happen, if you understand what I mean. That's why I prefer the word "cautious."

The Chair: Could we just find out where we're at right now, Ms Caplan? I'll come to you. It's gone back and forth: Everybody's added about two words to this sentence, and I can't find out where the period is. Ms Campbell, let's find out what the committee is saying and what you interpret.

Ms Campbell: My understanding is that the committee is still discussing the issue of projections and would like to add something making reference to the difficulties associated with projecting with any degree of accuracy; and also the inclusion of a sentence that refers to the table on page 5, and state that some of the areas were left blank because projections were not made for the province of Ontario specifically or just were not made for the years that are left blank on the table.

The Chair: Ms Caplan, comments.

Mrs Caplan: I think the comments that have been made by Mr Kwinter are very relevant. I think Mr Wiseman rightly explained it when he talked about the self-fulfilling prophecy. The flip side of that is that if the projections, as they come from the Ministry of Treasury and Economics, are consistently optimistic, especially if they're way off from the others who are doing forecasting, then it's not a question of self-fulfilling prophecy but one of confidence in the ability of the province to plan and to bring forward a budget and an economic plan which will instil confidence. So I would see a recommendation from this committee that says to the Treasurer and to the ministry that it is very important that their projections are as close to, if you can, those which are being projected by the other economic institutions in the province, that greater collaboration between them take place so that we can have a more realistic budget plan; recognizing that the world is constantly changing and that nothing is ever spot on, as Mr Kwinter says.

For the question of how the ministry officials relate to those other institutions doing forecasting, I think Mr Kwinter makes a point that should be heeded. I think the ministry and the Treasurer should set aside the political imperatives and attempt to come in with as realistic a picture as possible, because then I think you'd have a greater sense of confidence, if the numbers were presented in that way.

Mr Jamison: I don't have any real difficulty with that particular approach. But I think it should be pointed out that our experience with economic forecasts by recognized groups—especially since the recession we are supposedly coming out of at this point—is that they generally have not been able to develop a really close feel for the type of change that's taking place within the province as far as the structural change is concerned, and that impacts on forecasts. Generally, I think we can agree with that particular thrust. In these times, it seems that no one I know of over the last few years has been correct in their assessments and that we should be cautious about our projections.

The Acting Chair (Mr Jim Wiseman): Do I hear an agreement, then? Can we move to the next section? The next section is "Economic and Fiscal Policies."

1120

Ms Campbell: I have one comment to make about this particular section. The committee will notice that there has been a change from the draft that was proposed a few weeks ago. The draft had proposed that taxation be its own section, but when it came to actually writing it, it made much more sense to include taxation under the heading "Economic and Fiscal Policies."

The Acting Chair: Comments on this section?

Mr Jamison: We're just talking about the two paragraphs under "Economic and Fiscal Policies" at this point?

The Acting Chair: Yes.

Mr Jamison: Fine.

The Acting Chair: No discussion?

Mr Carr: The only thing I wanted to add at the bottom, where it said, "There seemed to be some agreement that the separation of spending into current/operating and capital accounts was a good practice," is that—

The Acting Chair: We're not into that. We're just doing those two paragraphs, Mr Carr.

Mr Carr: Oh, just the two. Okay, I'll wait.

The Acting Chair: Okay? Can we move on to "Budgetary Procedures" then? We all agree on that?

Mr Kwinter: Mr Chair, a point of clarification: Are we doing both the budgetary and "Taxation" together?

Mr Wiseman: We're doing "Budgetary Procedures."

The Chair: Is there some reason you'd like to do both at once?

Mr Kwinter: No, I just want to know whether you're up to "Taxation." I had a had a comment on the taxation part. I'll wait.

Mr Carr: I just had a question on what I was going to start there a minute ago. "There seemed to be some agreement that separation of spending into current/operating and capital accounts was a good practice." Since Gerry isn't here, I know that's one of his big concerns, as it is mine, and probably Norm's too, and I wonder how we could word it so we get an accurate reflection. As you know, as Gerry and Norm have both pointed out in this committee, we believe what the government is intending to do is to move that capital, and then all of a sudden the deficit appears lower when you add the two numbers up.

I couldn't agree with it the way it's written there unless, when there's any other controversy, you want to leave that in and then put a line saying, "Although some disagreed." I think most people agreed there should be some way to total that simply so people will know what the total amount is without having to get into too much detail.

The Chair: Have you got some idea on how to word that, some different business accounting procedures?

Mr Carr: No, just put a line saying there was also some concern afterwards about the government doing that.

The Chair: Mr Kwinter, any comments on that?

Mr Kwinter: No. I would agree, though, if we could clarify that there was no problem in separating the capital from the day-to-day revenue, as long as it was understood that it wasn't a device to get stuff off the balance sheet, which is really the major concern.

Mr Jamison: I don't have any difficulty with that.

Mr Wiseman: I would agree. I think what we need to do at all costs is to avoid an Ontario Hydro situation developing in the future where revenues are spent and accountability is not there. I have no difficulty in agreeing with that, that there need to be checks and balances and close scrutiny of the activities.

The Chair: Ms Campbell, have you got some wording there you could read back to the committee?

Ms Campbell: Would the committee like a line added to that second paragraph under "Budgetary Procedures" that would state, in effect, that other presenters expressed concern that the separation of spending into operating and capital accounts not be done in an attempt to get information off the balance sheet? I may not be interpreting the comments properly at this point.

Mr Jamison: Yes, basically that capital and operating be totalled at the end. But the other point should be that this is not a new practice. It is new for Ontario, but other provincial governments have been doing this for a long period of time.

Mrs Caplan: Perhaps it would be helpful if the recommendation suggested that there's no objection to the reporting of operating and capital separately as long as, in the reporting of the net cash requirement or the deficit number, the report also included the cumulative of the two, because that is the actual amount that has to be borrowed.

Similarly, as well as the separation between capital and operating, I believe it's very important that we continue to report the debt or the deficit accumulated by those crown corporations that have been established, so that we don't just move it out of one place into another and so that we ensure that the total deficit annually, as well as the total debt load of the province, be properly reflected in all treasury documents.

Mr Wiseman: I would even go one step further and suggest that it might be useful, within the annual reports of those crown corporations, to give a detailed account of which projects would be retiring the debt in terms of, if you borrowed \$20 million to build building A and you've amortized it over a 20-year period, how many more years you have to pay it off, at what rate that is happening and where are the funds coming to do that, so people can take a look at that and say, "Okay, we have \$400 million borrowed here, but we have revenue coming in and we have these debts being retired at these dates." I think that would be useful as well.

1130

The Chair: Ms Campbell, can you come back with what you've heard from the committee so we are in agreement?

Ms Campbell: It's my feeling that the committee has, at this stage, jumped to the recommendation. Has the

committee finished its perusal of the section on budgetary procedures?

The Chair: Everybody in agreement? No comments?

Ms Campbell: Just to go back over then, the committee would like some additional statement made to the separation of spending into operating and capital accounts. Would you like that placed in the second paragraph under "Budgetary Procedures" or would you like the recommendation that appears at the top of page 9 expanded to include a reference?

Mr Kwinter: I suggest we do it both ways. I think if you just include it in the recommendation, where did that recommendation come from? If you at least have a statement in there, then you would include it in the recommendation. Do you know what I'm saying? If you just put it in the recommendation, there's no groundwork for where it came from.

Mr Wiseman: Explain it so we're all in agreement.

Mr Jamison: I think the recommendation at the top of page 9 already indicates that it's a clear statement to be made. I have no problem adding it in the line or a couple of sentences in the body on page 8.

The Chair: Can we agree on "Budgetary Procedures"? Can we go on? Mr Kwinter has comments on "Taxation."

Mr Kwinter: In the second paragraph, I think the first sentence is a little misleading. It says, "The government was cautioned against major tax reforms."

I don't think anybody would be opposed to tax reforms. They'd only be opposed to tax reforms they consider to be negative. If they were positive, everybody would be quite happy with taxes.

Mr Wiseman: Yes, but somebody's ox is getting gored when you do tax reform.

Mr Kwinter: No, I'm saying that a caution against any major tax reforms—I just don't think that's an accurate statement. If the government came up with some tax reform that everybody thought was just fabulous, everybody would support it and I think that the—

Mr Wiseman: We know they won't, though.

Mr Kwinter: I'm saying I think the language can be a little different so that the implication is a tax reform that is going to have a negative impact on growth on a sort of competitiveness, on attracting business and all of those things would be objected to, but a tax reform that encouraged that would be quite accepted. I just feel that statement should reflect that.

Mrs Caplan: I suggest it be in two sentences, because there were the cautions about tax reform that have a negative impact on the economy. I think that's the point Mr Kwinter was making. Secondly, I think it was quite strong that the government was cautioned against any tax increases at this time.

Mr Jamison: I believe we can't confuse the issue, that we're cautioned against any tax increases. I think the committee has agreed to say that the Treasurer should measure any tax increases subject to the economic impact.

Mrs Caplan: As I read the presentations and what I heard and recognized in presentation after presentation before this committee, the tax burden should not increase at this time if the concern Mr Kwinter raised about the removal of additional revenue from the economy through higher taxes—we were told in this committee—would have a negative effect at the time the province was hopefully coming out of this recession, and that any tax moves—the Treasurer was cautioned that tax increases at this point in time would have a negative impact on the economy.

The Chair: It sort of said that any tax increase should be taking a look at an economic impact.

Mrs Caplan: I agree with the last line, where it said that "If any changes are to be made, they should be incremental," and revenue-neutral. The point was that the total burden should not increase, that they should be revenue-neutral. That was also the concept that says don't take additional revenues out of the economy at this point in time, because it would have an adverse effect on economic recovery, the more you take out in the form of taxes.

Mr Jamison: It says "as possible."

Mrs Caplan: But that was not what the committee was told. What the committee was actually told was that tax moves should be revenue-neutral and that tax increases at this time would have a detrimental effect on the province's economic recovery.

Mr Wiseman: I thought we had a discussion around this issue of taxation that also indicated that we would like the Treasurer to take a look at perhaps the areas of taxation where a reduction in taxes could lead to an increase in revenue, based on a premise that if the Laffer curve actually applies, you cannot raise taxes to increase revenue any more because they will start to decrease it, but if you were to lower your taxes on certain items and certain products, you could in fact move the demand curve and therefore increase the amount of taxes you're collecting.

Mrs Caplan: That was exactly the suggestion that Mr Kwinter just made, which was that if you had a reform, a tax reform means that you are making tax changes. Unfortunately, tax reform, I think, has been given quite a bad name by your tax commission because tax reform to them is new taxes such as wealth tax and spec tax and corporate tax, that sort of thing.

Mr Wiseman: That's by people who haven't read all of the documents. And MVA didn't help either.

Mrs Caplan: But that's one of the concerns that we heard at the committee, that tax reform means lower it here—you know, adjust it so that it has a positive impact on your economy. That should be reflected, I think, in the report, because that's what we were told. We were also told, "Don't take additional revenues out of the economy, because that will stall recovery," which means no increase overall in the tax burden.

Mr Wiseman: Of course, we also received some mixed messages. One group of people say, "Lower our taxes but raise those so that they make those people more competitive with us."

So we heard some mixed messages.

Mrs Caplan: That's why, in attempting to be general, I think Mr Kwinter made a very good point that talked about the overall impact on the economy, because that was the one consistent message that this committee received.

The Chair: Okay. The researcher here has been listening to all sides of this discussion. Could you come up with a statement, what you're hearing the committee saying here?

Ms Campbell: I just felt that there was some problem with the first line in the second paragraph and that it was suggested that it be reworded to state: "The government was cautioned against major tax reforms which would have a negative impact on growth and competitiveness. It was also cautioned against tax increases at this point in time."

The Chair: Mr Carr? Agreeable? Mr Wiseman? I'm looking at the first person every time on that side. Okay. We all agree.

Any other comments that were made later on? I don't think so. I think that was the main part. Any other comments on that remaining paragraph?

If not, are we all in agreement on the "Taxation" section? Anybody opposed?

Mrs Caplan: How about me?

The Chair: Okay, Mrs Caplan.

Mrs Caplan: This section makes reference to some very specific tax moves. As I recall—correct me if I'm wrong—there were also presenters who said very clearly that any discussion of wealth tax or inheritance tax should not be contemplated and that the Treasurer should be very clear in his response to the recommendations of the tax commission. That was a recommendation to this committee, that the province not contemplate wealth tax or inheritance tax. The reason for that was that by leaving that uncertainty and not having the government very clearly state, "We're not going to bring in a wealth tax; we're not going to bring in an inheritance tax," what has happened is that capital is fleeing the province, as you have that insecurity today because the province is saying: "We're thinking about it. We're contemplating. We haven't made a final decision." It's very important that the Treasurer be definitive so that those people who would be affected by those two initiatives have confidence in Ontario in the immediate future and not remove their capital and investment from Ontario. I believe that is the situation.

1140

Ms Campbell: You make reference to the specific taxes that are referred to in that paragraph on page 9. Those taxes were referred to at the request of the committee.

Mrs Caplan: I guess what I'm requesting is that you expand on that, particularly in light of the tax commission's report and recommendations on wealth and inheritance tax. The committee had representation that said those would be very damaging to the province at this time.

Ms Campbell: Could you perhaps tell me which presenters made those statements?

Mrs Caplan: I don't remember.

The Chair: I remember also. I just don't remember who it was.

Mr Wiseman: I would be prepared to support some kind of a recommendation that would say that until the final draft of the Fair Tax Commission has been established and discussed in the public, caution be exercised in the introduction of new taxes that would cause uncertainty and flight of financial—

Mrs Caplan: I guess the concern I have is that we've been very specific here about references to the commercial concentration tax and to the GST. I think it's appropriate to add a specific reference to a wealth tax and an inheritance tax. We heard, before the committee, that those were two concerns from presenters around specific taxes. If, in this section on page 9, you're going to name specific taxes, it seems to me prudent and wise that those two in particular—there are others we could name as well, but those are two that I think the committee should be adding because of the timeliness of the tax commission's report.

Mr Wiseman: If the wording was, "Some presenters drew the committee's attention to their concerns about these taxes," I think I could support that.

Mrs Caplan: Yes, where it says, "The possible introduction of a minimum corporate tax was not viewed positively," you could just add to that—

Mr Wiseman: "Nor was the addition of a wealth tax."

The Chair: Yes, without a reference. It's in there; we've heard it.

Mrs Caplan: That's right. "Wealth tax and—

Mr Wiseman: "Succession duties."

Mrs Caplan: "Succession tax," yes.

The Chair: You just said it would dry up the fluid capital out there.

Mrs Caplan: Fluid capital, for capital investment, yes.

The Chair: Mr Kwinter, you've got your hand up? No? Okay. So we're all in agreement now with the taxation section? Okay, it looks like we are.

We can get on to the "Sectoral Issues," and there's an opening statement. I guess we should have the opening statement first and then get into agriculture and the other areas. Yes, Ms Campbell.

Ms Campbell: The committee will notice there are only five sectors that are summarized here. There were certain time constraints in operation when it came to preparing the report. If the committee would like additional sectors added to this particular section, that request could be accommodated.

Mr Kwinter: The only concern I have by not—I can't remember exactly which sectors were here in total, but I think it would be prudent on our part to list every sector that was here, because I think it would be very difficult to explain when someone says, "I came and presented something to you on behalf of our particular sector and you don't even mention it." I think that would lead them to believe, what's the use of coming here?

Mr Wiseman: That's right. "You weren't listening."

Mr Kwinter: "You weren't listening." As I said, I can't be more helpful. I can't say to you that the day care people or health people or whatever groups came in; I

think we should at least acknowledge that they were here and say something about some of their concerns.

Ms Campbell: I put together an additional list of eight possible headings that could be included. They included construction: We heard from the Council of Ontario Construction Associations. We also heard from the Ontario Road Builders' Association and the Ontario Good Roads Association.

Another would be culture: The only organization that appeared under that heading would be the Ontario Arts Council.

Food service: We heard from the Ontario Restaurant Association. Forestry: the Ontario Forest Industries Association.

Housing: We heard from the Ontario Home Builders' Association. Rail transport: We heard from CP Rail. Small business: I was thinking of the Ontario Convenience Stores Association, which appeared before the committee. And finally, utilities: We heard from the Municipal Electric Association. We also heard from Energy Probe, the Ontario Natural Gas Association and the Propane Gas Association of Canada.

The Chair: Mr Carr, any comments on Mr Kwinter's recommendation?

Mr Carr: I agree. I had thought there were only a few, but when you list them now, I remember them, and saying you can't put forestry when we only put mining in—you've got to put forestry in too.

The Chair: I think there were a lot of valid points that each group brought forward.

Mr Wiseman: I would agree that we should say that we've heard from a "cross-section of all of the sectors of the economy of Ontario, including," and list them all and then perhaps say that there is a commonality to the concerns they were raising, with respect to both the deficit and taxation, and that we have chosen to highlight some of the comments from these areas which seem to reflect a more broadly based concern throughout the economy.

The Chair: Ms Campbell, it's a quarter to 12. This may be a big request, but over lunch hour, until we resume at 2 o'clock, is there a possibility that you've got some notes on these different sections that Mr Kwinter—or you have mentioned what Mr Kwinter, Mr Carr and Mr Wiseman have brought up—that you would have a couple of lines on what these particular groups had said? I was watching you during the hearings. I think you made some rough notes. Maybe you could wind up presenting those

rough notes, even if they're just verbal, to the members here. I think it's very important, because everybody said maybe one important thing, about how the budget could influence their sector. Leaving them out—as Mr Kwinter said, I think they would say they came here, we listened, but didn't listen enough.

Mr Kwinter: We heard but didn't listen.

The Chair: Yes, we heard but we didn't listen.

Ms Campbell: I'll try to pull together some rough notes that I could read into Hansard.

The Chair: I know that we have it all in Hansard, but still, I think the Treasurer should be able to read this condensed form.

Mrs Caplan: This might be a good point, since we've just completed this section, I believe, to recess and come back.

The Chair: Can we go for 10 more minutes and maybe get agriculture, beverage, manufacturing, and we can add the other ones on when we come back after lunch? So if we can get up to "Social Issues"—let's see if we can get that far, I think, in 10 minutes. I think it's straightforward, each section, and then we'll recess when we get to "Social Issues" or 12 o'clock, whichever comes first.

Mr Kwinter: The only thing is, that's going to be expanded anyway.

Mrs Caplan: That's right.

The Chair: Yes, but you're just going to have different headings.

Mr Kwinter: No. Each heading is going to have a statement, something.

The Chair: Yes, but we can go through agriculture.

Mrs Caplan: The "Sectoral Issues" section is quite significant, Mr Chairman. I don't think it can be done within 10 minutes.

The Chair: No, but I'm just saying the ones that we have here so far. We'll go as far as we can until 12, and Ms Campbell will be bringing the other sectors in at 2 o'clock.

Mrs Caplan: If we gave her a few more minutes now, we could then do the whole thing together at 2 o'clock.

The Chair: Okay, 10 minutes, I guess, isn't going to make that much difference.

Mr Wiseman: As long as we're all back at 2 o'clock.

The Chair: Okay, at 2 o'clock sharp. This committee is recessed until 2 o'clock.

The committee recessed at 1149.

AFTERNOON SITTING

The committee resumed at 1408.

The Chair: Okay, we'll resume working on the draft report of the committee, pre-budget consultations for 1993 for the standing committee of finance and economic affairs. I'm going to hand it over to Ms Campbell to see what she was able to come up with over lunch for the committee members here on the other sectoral areas before we get going.

Ms Campbell: Before I talk about the sectoral issues, I'd like to let the committee know that I phoned the office of the Minister of Finance during the noonhour to see if it might be possible to get some information on the amount of foreign debt over an extended period of time. I was told that the person I should speak to was unavailable at the time and that I should call back later this afternoon. I would like to warn the committee that it may not be possible to have that information ready for inclusion in the report by Wednesday and I would like the committee to be aware of that.

Moving on to the sectoral issues, I'm afraid that I wasn't able to accomplish a great deal during the noonhour. I did manage to get through a few of the eight I had listed prior to our leaving at noon. One of the suggestions that was made before we recessed at noon was that perhaps mention could be made in the introductory paragraph to all of the sectors that made presentations to the committee and then pull out some common themes or threads that appeared in all of these presentations. I think that a few that could be focused on would be the reduction of taxes, the creation of an environment that enhanced confidence, stimulated investment and encouraged competitiveness. Those seemed to be some common themes.

I was able to get through the construction sector, foodservice, housing, forestry and small business, and while there were specific concerns in each of those sectors, I think they were all concerned about taxes and an environment that stimulated investment and competitiveness.

The Chair: I was wondering if you could get photocopies of your notes so all members of the committee could read along with you.

Ms Campbell: They're very rough point-form notes. I don't know whether they would be of any use to the committee.

The Chair: It looks like my handwriting. So I would be able to understand it.

Ms Campbell: I guess my question is, does the committee want each of the sectors summarized or, as was earlier suggested, to make reference to each of them in the introductory paragraph and then choose four or five or six, however many, to focus on and be viewed as representative of the presentations that we heard during the hearings?

The Chair: I'm going to go to Mr Kwinter. I know we have agriculture, we've got two paragraphs, if we just mention them; maybe that's not exactly what the other committee members want to see.

Mr Kwinter: Before I ask the question, is there going to be an appendix to this report listing everybody who appeared?

The Chair: There should be, yes.

Mr Kwinter: Before we broke for lunch, I felt that we should take some more sectors and, even if there are one or two sentences on each one, that it should be laid out just so that we acknowledge their presentation. The only ones that I would exclude are if there were individual groups that weren't connected to a major sector of the economy. But if you're talking about forestry or if you're talking about agriculture, if you're talking about some of the other groups that are not included, I'd like to see them included. It doesn't have to be a long thing, just a brief summary of what they had to say.

Ms Campbell: By "what they had to say," do you mean what the current state of their particular sector is as well as their recommendations to the Treasurer?

Mr Kwinter: Primarily what their recommendations were to the Treasurer.

The Chair: I'm going to throw one out. We've got trucking. Should it be a title, just "Transportation," which would cover rail and trucking and other areas rather than breaking it down just into trucking? This is a question I think the committee should take a look at: How far do we break it down? Because we've got agriculture; that's a wide range. But when you talk about trucking, you're talking about one area.

Mr Kwinter: I think we're only talking about another six to eight groupings. Is that correct?

Ms Campbell: Probably closer to 12, considering the fact that there were five already completed.

Mr Kwinter: Five including the 12, or 12 in addition?

Ms Campbell: The list that I read out this morning had eight in it plus the five that are included in the draft report.

Mr Kwinter: So I'm saying there are eight additional. Eight additional might be two pages, double-sided, which is a couple of comments.

The Chair: Maybe you could read out the comments of each sector, of the ones you have written down over the lunch-hour, and whether we agree with the sentence for each one of the sectors. You can read your own writing, can't you?

Ms Campbell: Under "Construction," I looked specifically at the brief prepared by the Council of Ontario Construction Associations. In their brief they discussed a number of statistics and figures related to developments in the industry over the last few years in terms of jobs lost, bankruptcies, closures. They also spent a great deal of time discussing the issue of capital spending.

They were quite enthusiastic in their support of the government's establishment of the three new crown corporations. They also highly recommended private sector involvement in the operation of those capital corporations.

They also discussed reducing taxes and creating an environment that enhances confidence and stimulates investment.

The foodservice sector—

The Chair: Can we just get agreement on each one? Do you agree, Mr Kwinter, with that statement?

Mr Kwinter: Yes. Maybe we could short-circuit this. From what I understand from Ms Campbell, all she's going to do is sort of condense what their recommendations and comments were. It isn't a matter of whether or not we agree with it; it's what they've said. It isn't a matter of our interpretation; it's what they said. All I really want to do is see them included.

I don't think we really have to even hear what it is to agree, "Is that what they said?" I can't remember what they said, but I assume she has the notes; that's what they said. All I really want to do is see them included. I don't really care what they said, just as long as what they said is included.

Mr Carr: I would like to see them all included, because I don't think the length should be a problem. The only thing I'd like to be careful of—and I think Elaine has been able to word it such that if there's any conflict, she does present both sides. If there haven't been two sides to an issue presented, it might appear that this report is supporting, notwithstanding the fact that it will say, "This group said." It still could be perceived as this report presenting that.

The only thing I'd like to caution is, because there were a number of controversial items where this committee may not have agreed with it, that we don't present it like a recommendation. I would like to see us include it. Whether you made them broadly based, saying "Transportation," or whether you made it "Trucking" and "Rail" and so on, the length would still be the same. When we come to the recommendations at the end, I think that's where the committee will have its imprint on what it has suggested.

I would support Monte and say we should include the number of groups that have come through, but just keep them fairly short. Even if they were as long as these that have been listed, I don't see that as being a big problem, because it is a diverse province with a lot of interests and I think we should carry them forward and then at the end make our recommendations. I support what Monte said rather than trying to group them together. I think it may even take more time if you had to group them together.

The Chair: Mr Jamison?

Mr Jamison: I'll pass to someone else at this point.

Mr Wiseman: In terms of being inclusionary in the budget in this document, we did hear from so many and I guess the question is, where should they be included? Should they be listed? Should we have every one of them in this section? Just thinking about it, while we don't want to exclude anybody, I'm trying to think in terms of the impact of the document on the minister.

I would say we should include them in this section where they have made direct issues and points about what impact it will have on them if there are changes in certain areas, increased taxes or decreased, transfer payments and so on, so that the minister and his staff know that when

they go through this document, they're reminded of the impact of their decisions; so that this document not only gives them advice but serves as a reminder to them that they have to think in holistic terms, that they can no longer just make a decision in one area without being cognizant that it's going to have effect in others. I think that's what I would rather see than to see everybody there.

Perhaps we could make an addendum in the appendix to this, thanking all of the groups for the points they raised, and perhaps list the recommendations they gave, saying that these will be passed on to the minister.

The Chair: We already did that in the introduction.

Mr Wiseman: In that way?

The Chair: Yes.

Mr Kwinter: There's a defined number—I think it's eight—and they're very specific groups: the home builders, for example. I would agree that we should not list an individual who came here or a very small group, but we're talking about sectors. Home building is a major sector in Ontario. I think it's a mistake to have them appear before this committee and not even acknowledge what their concerns and recommendations were.

We heard from Ms Campbell before lunch what the eight are. I don't think eight is an onerous number. As I say, it doesn't even have to be judgemental. Whatever their recommendation is, it isn't our recommendation.

1420

The opening paragraph in the "Sectoral Issues" section says: "Ontario's economic diversity was much in evidence during the pre-budget consultations. The committee heard representatives from a number of sectors describe in great detail how they met the challenges of the recent recession and how they hope to cope with recovery. The major points of some of those presentations as summarized below." We're not condoning, approving or rejecting what they're saying; we're just saying, "Here are the major points of what they have presented."

All I'm saying is that I think that five representative groups aren't enough, considering that there are fairly significant groupings that have not been included. So all I'm suggesting is that we include them. I don't think we have to listen to what we're saying about them, because this is what they're saying; we're not going to change that. Just have it there so that people at treasury will have heard from the various groups as to what their concerns are and what they would like to see. That's really all I'm asking for.

Mr Wiseman: In the interest of moving along, I would agree with you.

The Chair: Okay, thank you. Mr Carr, do you agree with Mr Kwinter?

Mr Carr: Yes, I do.

Ms Campbell: Just as a point of clarification, the committee would like a one- or two-paragraph summary of what each of the sectors said in their presentations to the committee. Would you like the introduction expanded a bit to sort of make reference to the common themes that appeared in those presentations?

The Chair: That would be "Recommendations from the Committee" later on, wouldn't you agree, Mr Kwinter? Just what they said.

Mr Kwinter: Just list them.

Mr Jamison: Not to get ahead of ourselves—

The Chair: We are ahead of ourselves. We're on "Social Issues" now.

Mr Jamison: Okay, that's fine. While we're heading into "Social Issues," the same can be said for the social services group and the other particular sectors that presented to us, not just the manufacturing/business-related sector, because I think we'll find diverse views when we look at it in that light or that context.

The Chair: Okay, we're on "Social Issues" on page 13.

Mr Wiseman: We were suitably boring. Our one spectator left.

The Chair: That was while you were talking, Jim.

Mr Wiseman: Not me. I saw him get up and leave when Monte was talking. Don't try and put it on to me.

Mr Kwinter: Mr Chair, I have no objection, as long as all of the major presenters are acknowledged now. It seems to me they are.

The Chair: Okay. Mrs Marland, we haven't heard from you today. This is your field.

Mrs Margaret Marland (Mississauga South): Which field?

The Chair: On page 13.

The Chair: Mr Carr, I guess you—

Mr Carr: Yes, I'll follow through because I've been following the committee right from the beginning.

The Chair: I can't hear you very well.

Mr Carr: Okay, I'll speak up.

No, I have no problem with this section as well the way it's written there.

Mr Jamison: The second paragraph, starting three quarters of the way through the third line, "Over time, social assistance benefits have been reduced": I don't think that's an accurate statement and I'm concerned about that statement in that paragraph.

Ms Campbell: I think that's a representation of what was said in the presentation. The comments would be attributed to the Daily Bread Food Bank, or would you prefer that they be changed?

Mr Jamison: I don't know. On this particular issue we seem to be getting told by some people that the increases have been too much and now we're being told by other people that we've reduced payments, and that's simply not true.

Ms Campbell: Would you prefer something like, "According to the presenters, over time, social assistance benefits have been reduced"?

Mr Jamison: I don't think that's a factual statement. In their opinion, possibly—that's the context it's in—but I don't think I would feel well about giving that credence. I don't think there's anyone in this room who would say that we've reduced social assistance benefits.

Ms Campbell: Would you prefer the sentence be re-written to state, "Over time, more food bank patrons are getting by with less," taking out any reference to social assistance benefits?

Mr Jamison: I understand that there's more pressure on the food banks; there are more people using them. But I don't agree with the statement about the levels of benefits being reduced. That's certainly not the case.

The Chair: Mr Kwinter, any comments on that particular sentence?

Mr Kwinter: I would have no problem if they want to take out "Social assistance benefits have been reduced," and just have "Over time, more food bank patrons are getting by with less." That was certainly Mr Kennedy's position when he made the presentation.

The Chair: Because the dollar figure hasn't been reduced, what benefits are being paid out. Okay? Do you want to read it back to us, Ms Campbell?

Ms Campbell: I'll read the sentence. In the second paragraph under "Social Issues," the third sentence will be reworded to state, "Over time, more food bank patrons are getting by with less."

Going back to Mr Kwinter's wish to include everyone who made a presentation, in the third paragraph I make a very generic reference to "private child care centres, children's aid societies" etc. I'm not specifically naming the groups who appeared. Are those references—

Mr Kwinter: When you finished, I was going to clarify to say I did not necessarily want everybody who made a presentation, but every sector that made a presentation.

Mrs Marland: On the second paragraph on page 14, in the same section, you're talking about the non-profit housing generating comments from a range of private sector groups. "Some suggested that rent controls be eliminated and that shelter allowances or rent subsidies be given to those in genuine need." When they talked about that, did they define "genuine need" as eligible need or eligible criteria? When I talk about direct subsidies or shelter allowances as an alternative to government-owned and -operated bricks and mortar, I talk, on behalf of our party, about people who are eligible. Maybe, Elaine, your words "genuine need" mean the same as people who are totally eligible with defined criteria. It's very specific, and although I wasn't fortunate enough to hear these groups that came before this committee, I have heard them making the same presentations elsewhere, and they're talking about this alternative to government housing being given to those people who are eligible under very strict criteria. That was one question I had.

The other is, "Uninitiated projects should be cancelled and no further approvals should be granted," and then, "Others called for a complete program review." Of course, the auditor is calling for a complete program review as well, so I agree with that statement, but what is meant here by "Uninitiated projects should be cancelled"?

Ms Campbell: I interpreted that as meaning perhaps projects that are in the discussion stage but that haven't actually been fully approved.

The Chair: On the drawing table.

1430

Mrs Marland: So were these groups saying—I don't know what they mean by "initiated" and "uninitiated." I know what those two words mean, but I don't know what they mean in this context. If they're saying no further approvals should be granted, the thing is, unless—if that sentence goes with the first sentence in that paragraph, then I guess it's all right to leave it as it is, but it doesn't stand on its own.

I'm very sensitive to this housing issue and I just want to make sure this committee heard these housing coalition people and the private sector people very clearly, because it's a very important statement. We're talking about multi-millions of dollars in this program and I think "uninitiated projects should be cancelled and no further approvals should be granted" has to follow if the other programs take their place; for example, direct shelter subsidies or shelter allowances. That's what these people are asking for. They're not saying, "No, no, no"; they're saying, "This is what we would like as an alternative to what's being done," because they know that if you subsidize a residential unit \$2,000 a month for one family, in fact, you can be looking after four families for the same dollars. So what these private sector groups are saying for the most part is not to cancel the dollars; just to look after more people for the same investment. But what I'm trying to confirm is: Is that what this paragraph is referring to?

Mr Wiseman, you're shaking your head. Were you here the day they were there?

Mr Wiseman: I heard some of them, yes.

Mr Kwinter: My understanding of what was meant was that pending a complete program review, no programs be approved and no programs be initiated. In other words, stop all of these non-profit housing programs until a complete program review. The only ones that would go forward are ones in progress, but those that had not started were not to start and there were to be no approvals given, pending a program review.

The Chair: Okay, Ms Campbell, I think you most likely have the paragraph that—how the statement was given by that group.

Ms Campbell: I'd just like to point out that the introductory line to that paragraph states, "Non-profit housing generated comments from a range of private sector groups." These comments were made by a collection of groups. It's rather hard to meld them into one recommendation that very easily flows from one sentence to another. The Ontario Home Builders' Association stated that no further approvals should be granted for the construction of non-profit housing projects, and the Board of Trade of Metropolitan Toronto stated the government should cancel all its uninitiated non-profit housing projects and complete only those currently under way.

The Chair: So you've got two groups that have said—

Mr Jamison: It might be wise to specify which group said that, then, because obviously more groups than that presented.

The Chair: Mr Jamieson, but it does cover a range of private sector groups; it's a general term. Then you have your—this'll be in the report also of what different groups actually said, so we could make a really detailed report. It's got to be simple. This is what sectors said rather than just naming the sectors. Comments by Mr Kwinter on this particular—Mrs Marland?

Mrs Marland: Maybe we could say—after "genuine need" you could put comma. "Some suggested that rent controls...shelter allowances," da, da, comma, and then, "Some also suggested uninitiated projects should be" da, da, da, "while others called for a complete program review." I think maybe you could make it flow that way.

Ms Campbell: If you question the use of "genuine need" in the second line, would you be happier with something like, "Some suggested that rent controls be eliminated and that shelter allowances or rent subsidies be given to those who met eligibility criteria"?

Mrs Marland: Yes, that's very good. Thank you. That's great.

The Chair: Everyone has a genuine need. Any other comments on "Social Issues"? Seeing none, we'll go on to "Transfer Recipients" at the bottom of page 14.

Mrs Marland: Are you dealing with the recommendation on page 14, Mr Chairman?

The Chair: No, I just took it that we're—

Mrs Marland: Okay. I just want to ask—

The Chair: Are you going to back up?

Mrs Marland: Where it says, "Social services should be delivered in a more efficient, effective, productive and coordinated manner," there is nothing there that says "fiscally responsible"; there's nothing there referring to finance.

Mr Jamison: "Efficient" could tend to—

Mrs Marland: Efficiency may be time management. Social services is the largest budget of the government, because it's now larger than health, isn't it?

The Chair: No, Health is still the largest.

Mr Wiseman: Health is \$16 billion.

Mrs Marland: Well, second-largest then, not far behind.

Interjection: Well, \$4 billion is far behind.

Interjection: About \$17 billion.

Mrs Marland: And is social services still \$12 billion in the recession?

Interjection: Eight.

Mrs Marland: I just think it's important that when you're talking about social services, we've got to maximize the dollars that are invested in social services. Sometimes they might be efficient but not always fiscally responsible. They could be effective and not fiscally responsible, "and productive and coordinated manner."

This is the finance and economics committee, isn't it? I think it would be important for those of you who are financiers, which I'm not—the standing committee on finance and economic affairs: I think you should get something in

there that addresses fiscal responsibility but it's only a humble suggestion.

Mr Wiseman: There was an added phrase to that, and I thought we all agreed on it, that social services should be delivered in an efficient, effective, productive and coordinated manner based on client needs. That this would go a long way to what Mrs Marland was saying in terms of making sure that it's done in a way that makes sense. If it's on a client-based needs system, then I think we're moving in the right direction, if we start asking the right questions about delivery mechanisms and about how the money is being spent.

If there isn't any objection, I would like to see added there some phrase that the delivery of the system should be done on the basis of client needs, and that what would follow from that would be a reassessment of the administrative structure and how it would be delivered.

The Chair: Mr Kwinter, any comments on Mr Wiseman's or Ms Marland's comments?

Mr Kwinter: In the interests of being helpful, maybe the recommendation, and the last recommendation as well, could have the word "cost-efficient" as opposed to "efficient." That might resolve Ms Marland's concerns. I know we're jumping ahead, but in the last recommendation, "A determination should be made of the most efficient mechanisms available for the delivery of services," we can use the words, "the most cost-efficient mechanisms." Would that solve your problem, Ms Marland?

Mrs Marland: Yes, thank you. No wonder you were a cabinet minister. That's the training I have yet to have, Monte.

Ms Campbell: Be nice to him. It's his birthday.

Mrs Marland: But that well addresses—

Mr Wiseman: Thirty-five, Monty?

Mr Kwinter: Thirty-nine, and holding.

1440

Mrs Marland: Those are excellent suggestions of Mr Kwinter and I appreciate his suggestions. That resolves my concerns. Thank you.

Mr Jamison: I just want to let Margaret know that I was just about to think of that.

Mr Carr: One step behind again, eh, Norm?

The Chair: Ms Campbell, just read back to the members what you are going to change here.

Ms Campbell: I'll reread the recommendation. It will be rewritten to say, "Social services should be delivered in a more cost-efficient, effective, productive and coordinated manner based on client needs."

Mr Wiseman: I go for that.

The Chair: We've got everybody incorporated in that one now. Transfer partners, at the bottom of page 14, "Transfer Recipients": Mr Wiseman, any opening statement?

Mr Wiseman: At the risk of being repetitive again—repetitive again; that's redundant—on page 18, my major concern here with the transfer payments has to do with outcomes, and client outcomes in particular. A lot of money is being transferred to agencies in this sector which

provide a duplication of services. They may not be exactly the same services, but broadly speaking, they come under the same headings. Each of these agencies has its own organization. Each of these organizations has its own administration and bureaucracy.

I would like to see where it says on page 18, "This process could involve comprehensive audits," based on client-defined needs, for example in the education sector, somewhere where I come from.

I circulated the article. We've seen huge increases in the administration of boards and I asked the question, how has that helped and assisted the classroom teacher in providing better education to the students? A comprehensive audit that asks that question and would trace the spending backwards to the boards through the whole system to find out if the money is in fact being spent to achieve that goal: I have my own belief on this, that a lot of money is being spent to support the administrative structure and not necessarily to meet the client needs. I think I would be arguing on page 18 that client needs be part of the comprehensive audit and would form the basis upon which comprehensive audits would be done.

The Chair: Comments?

Mr Kwinter: I'd like to comment on Mr Wiseman's comment, but first I just want to repeat what I said earlier, that the first line of the recommendation should say "the most cost-efficient," just to make sure that's in.

The problem I have with Mr Wiseman's suggestion—and I shouldn't say it's a problem; I think there has to be a clarification. If you're doing an efficiency audit or a value-for-money audit, then you have to take a look at the client base. I just don't know whether that is what is intended by this recommendation, or that the recommendation is to make sure that the funds are properly accounted for. Regardless of how they're spent, it's just a comprehensive audit to make sure that the moneys are being used, that there is no wastage, things of that kind, as opposed to saying, "The money was spent here and we think it should have been spent somewhere else."

That isn't normally the function of an auditor. He doesn't make those value judgements. That's a policy decision, and that's what happens with the auditor who does the budget. The government makes a decision how it wants to spend the money and it's not the auditor's business. The auditor's business is to make sure that if that's what they said they wanted to spend money for, that's what it was spent for, but as I say, without making a value judgement as to whether or not that's where it should have been spent.

I have no problem with what you're saying; I just don't know whether that was the intent of that line. I'd like some clarification on that.

Mr Wiseman: I'm more than willing to entertain any wording or any kind of changes to this that would do what I suggested, and that is, define what it is you want to deliver and then find out if in fact the money you're spending is delivering what it is you intend to deliver, whether it be education or health care or good municipal government. I think we're way past the time when we should be asking

whether or not the money we're spending is being spent efficiently, not just according to whether or not the \$100 was spent on buying books, but whether or not we've in fact bought the right books, whether we're doing the right thing for the students or whatever.

Just to give you an example, when I was in the system, when we changed to OACs, all the textbooks were changed. The unfortunate thing was that the money was granted the year before the textbooks were written and there was no way to roll the money over into the next year, so millions of dollars across the province were spent that needn't have been spent in that year, buying books that were used for only one year and didn't apply to the course the next year because it changed.

That's what I'm trying to get at in terms of whether or not we should have multi-year budgeting and how we should define the money spent on the clients.

The Chair: I think if you were listening to Mr Kwinter's point, what he was saying was that the auditor comes in and says, "Yes, you've got all your beans in there that you spent," but the policy it has to be reworded to the point of how you wind up saying that it is efficient, that it is being spent properly. The Provincial Auditor is going to say, "Yes, the books are correct; this is what you did spend," but not whether you're spending the right way.

Mr Kwinter: You have to decide whether you're calling on the auditor to set your policy, but you're not. The point I'm making is that the auditor's function is not to decide what your policy is; the auditor's function is to decide whether or not the funding that has been provided has carried out your policy directive and it's been done in a proper way. How you do that, I have no problem. The only problem I have is when you link it to the audit.

1450

Mr Wiseman: I'm not married to the way the audit is done. I just want it recommended to the minister that it be done, that we do start to evaluate the delivery systems on the basis of whether or not the client we're trying to deliver to is receiving the maximum amount of funds or the maximum benefit for the money we're spending. From what I have been able to see over the last two years, this is not necessarily the case; that we have huge administration structures developing that are funnelling off money at this level before it gets to the client we want to serve.

The Chair: I think Mr Carr has some words.

Mr Carr: I was just going to add, first of all, the one point Monte made: "A determination should be made of the most cost-efficient...." I think we're getting hung up a little on, "The process can involve comprehensive audits." Those audits don't necessarily need to be by the auditor; they can be audits done by, for example, the Minister of Health over hospitals. My suggestion would be to include, "This process can involve comprehensive audits that look at cost-effectiveness and client needs," or whatever. I think that line can just be expanded to include them, because I don't think that last line necessarily meant the auditor looking at it.

The Chair: Could it be "cost-effective program review"?

Mr Carr: No. "This process can involve comprehensive audits that look at clients' service needs and cost-effectiveness."

Mr Wiseman: Delivery.

Mr Carr: Whatever.

Mrs Caplan: I realize that both Mr Carr and Mr Wiseman were elected in 1990 for the first time, and I'm just trying to be helpful, as opposed to gratuitous, in my comments. The government today has the ability to do what both Mr Wiseman and Mr Carr are suggesting, and there are two ways it can do it. First, through the ministry's audit branch, they have full authority to hold any of those receiving government funds accountable for those funds and to do an audit of the funds received directly from within the ministry. There are also powers under numerous acts to allow that. I can cite the acts for you from the Ministry of Health if you wish, but they are also available through the Ministry of Community and Social Services.

If you don't like any of those approaches, of doing it directly through the ministries, then the second approach is that you, as the government, can call in the Provincial Auditor at any time and ask the Provincial Auditor to audit any one of the people you give dollars to for funding. The auditor has the authority under the provincial Audit Act to pick and choose the ones he would like to audit, and he does that independently, free of any influence from government.

But I can personally think of occasions, when I had the privilege of serving in government, when we initiated an audit by the Provincial Auditor because of our desire to have an audit done and ensure accountability and fiscal responsibility. So the tools are there, and I just wanted to suggest to both Mr Wiseman and to Mr Carr that there is that ability right now to do that if the government has the will to do it.

Mr Kwinter: I think one of the confusions is the word "audit." Maybe we could solve it by saying, "This process could involve comprehensive evaluations of the delivery of service."

Mrs Caplan: Yes, evaluations.

The Chair: There you go again, Monte, coming up with the right word.

Mr Wiseman: I just want to be clear that I know the government can do all of those things and is in fact doing them, because we've certainly gone through a lot of program reviews. Where this really stems from for me is that my board of education is building a \$26-million administration building without having gone through the process of determining, on the basis of client delivery systems, whether or not it's needed. I think the government should do that before it starts.

Mr Perruzza: Shame on you, Jimmy. Where are they, in a warehouse now?

Mr Wiseman: Well, they've got a building, but it's grown over the last 17 years. So that's what my focus here is, to deliver the system in the most efficient way. But thanks, Monte, for your comments.

The Chair: Ms Campbell, are you just about ready?

Ms Campbell: Yes. The reworded recommendation would be: "A determination should be made of the most cost-efficient mechanisms available for the delivery of services provided by the province's major transfer recipients. This process could also involve comprehensive evaluations"—is this where we want to get "client-defined needs" in there, or do we want to make any reference to that? "This process could also involve comprehensive evaluations" strikes me as perhaps leading to something else.

Mr Kwinter: I had suggested "evaluations of the delivery of service."

Mrs Caplan: You could even say, if you wanted, "evaluation of the outcome" or "the results of service delivery," because in fact I believe it's going to be very important to start to focus on the quality of the results. I spoke about this for three years, and outcome/results-focused evaluations are the key to quality management. I think it's a positive way of effecting the kind of changes that will be necessary in the future.

Mr Wiseman: You can't accomplish that with hierarchical structures. They have to be horizontal.

Mrs Caplan: Well, that was one of the reasons we had moved to a different kind of management system at the ministry when I was there, to accomplish that.

Mr Wiseman: We need to do that in education in particular; it's just horrendous.

The Chair: That's "the committee recommends." We skipped over "Community Colleges," "Schools," "Universities," "Municipalities" and the introduction—

Mr Perruzza: I move approval. Let's go.

The Chair: You just got here. I'll give a few minutes to read over the other sections, if there are any changes to be made.

Mr Perruzza: Mr Chairman, may I move that we cut to the chase?

1500

The Chair: I know you read it in about three seconds, speed reading, but some of the others can't read as fast. I'm still on the first sentence.

Mr Perruzza: I read it this morning, Mr Chairman, but you didn't want to listen to me.

Mrs Marland: Is "cut to the chase" a jockey term?

Mr Jamison: No, it's a movie term. They say, "Okay, cut to the chase." That means, "Wind it up."

The Chair: Any comments? Mr Carr?

Mr Carr: No, I agree with the way it's written.

The Chair: Mr Kwinter?

Mr Kwinter: No.

The Chair: Mr Jamison?

Mr Jamison: That's fine.

The Chair: So we're right down to the last page on recommendations.

Mr Perruzza: Can I move approval, Mr Chairman?

The Chair: We haven't had any comments from the opposition parties yet.

Mr Kwinter: I would move these recommendations as amended, which we've amended as we've gone along, some of them. And we as a caucus will be presenting an additional report to be included with this one.

Mrs Caplan: There are a number of areas in which this report just doesn't go far enough and a number of issues that were rejected by the government through the discussions.

Mr Perruzza: How come you didn't bring it here so we could review it?

Mr Wiseman: Any specific areas? I think we've got pretty far in terms of agreeing. You might be surprised where you could get agreement.

Mr Kwinter: We agree on everything that's in here. We have no problem with that. We just agree with things that aren't in here that we don't think we could get in there.

Mr Wiseman: Such as?

Mr Kwinter: A range of issues that—

Mrs Marland: A change of government.

Mr Wiseman: Well, we'll wait for a couple of years on that.

Interjection: And here I thought we had a consensus. I'm disappointed.

Mr Perruzza: Mr Chairman, I'd be interested in coming to a committee to review their report, for sure, prior to its being submitted.

The Chair: We have only two hours left in our mandate to finish this pre-budget consultation to be handed to the Treasurer.

Mr Perruzza: We could read through a Liberal report in two hours, no problem.

Mr Wiseman: I'm still very much interested in hearing what other recommendations you would put.

Mrs Caplan: You won't have to wait long.

Mr Kwinter: If we had our report here, we would table it. I don't have the report.

Interjections.

The Chair: What's that? The Blueprint for Recovery? What's it called?

Mr Carr: No, this is an updated version.

Mrs Marland: We could send you a copy of our two blueprints.

The Chair: Okay, Ms Campbell is going to go through the changes we've just had, for clarification. She has everything that the committee said to her.

Ms Campbell: I'll just go back to the first section of the paper, "Economic Summaries and Forecasts," under the heading, "Debt and Deficits." The committee has asked that there be specific reference made to the province of Ontario's debt and that of Ontario Hydro. There will be reference made to that under "Debt and Deficits."

The committee has also asked that there be a graph or table inserted showing the amount or percentage of foreign debt over time owed by the province of Ontario. As I stated earlier, I have attempted to try to track down that

information and will try to have it ready for Wednesday when the report will be due.

Under the section "The Future," it's my understanding that the committee would like to add a statement that in brief states that the committee fully recognizes that there are difficulties associated with projecting the future with any degree of accuracy, when we're referring under the first paragraph to the table and the projections contained within that.

I'd also make reference to the fact that there are a number of blank spaces on table 1 and will state that those are due to the fact that some forecasters did not make specific projections for the province of Ontario or did not make multi-year projections. Some of them went only as far as 1993 and didn't go any further than that.

Under the section "Economic and Fiscal Policies," under the heading, "Budgetary Procedures," there was concern under the second paragraph, which begins, "There seemed to be some agreement that the separation of spending into current/operating and capital accounts was a good practice." I'm still not clear on just what it is the committee wanted added at the end of that paragraph. I gather there was some desire to state that there were other witnesses who expressed concern about the separation of spending into current/operating and capital accounts. I'm just not clear on what those concerns were.

Mr Jamison: The concern, from what I understand, was to ensure that all government expenditures are accounted for in the final statement. To separate operating from capital is something that some people are uncertain about, in terms of confusing figures, but separating operating from capital is something other provinces have done for many years. The concern might be that someone may not report the actual overall deficit at that point.

Ms Campbell: Further to that particular section under "Budgetary Procedures," the recommendation at the end of that section is, "The committee recommends: The Minister of Finance should prepare a simple yet complete economic statement that provides detailed information on all government and crown corporation assets and liabilities."

There was also some discussion about making reference to the accumulated deficits being properly reflected in the statements. Does the committee wish to include that in the recommendation or leave it as I've just read it?

Mr Carr: I'd like to see it included if there's no objection.

Ms Campbell: Include a reference to the accumulated deficit in the recommendation?

Mr Carr: I think we talked about that last week.

Ms Campbell: Under the heading "Taxation," the committee asked that the first sentence of paragraph 2 be reworked into two separate sentences: "The government was cautioned against major tax reforms that would have a negative impact on growth and competitiveness. It was also cautioned against tax increases at this point in time."

In paragraph 3, under the heading "Taxation," it was asked that there be references added to wealth and inheritance taxes, to place them in a context similar to that of the reference to the corporate minimum tax and also make

reference to some concerns that capital might leave the province with the introduction of those taxes.

Is the committee happy with the recommendation under "Taxation" that appears at the top of page 10? Okay.

Under "Sectoral Issues," I think there was agreement that references would be added to the other major sectors that appeared before the committee.

The Chair: That was eight sectors?

Ms Campbell: Yes. I would gather that the committee is happy with the recommendation that appears at the top of page 13.

Under "Social Issues," in the second paragraph, the third line will be rephrased to state, "Over time, more food bank patrons are getting by with less."

The second paragraph on page 14 under "Social Issues" will also be reworded in the second line: "Some suggested that rent controls be eliminated and that shelter allowances or rent subsidies be given to those who meet eligibility criteria. Others told the committee that uninitiated projects should be cancelled and no further approvals should be granted, while still others called for a complete program review."

The recommendation under "Social Issues" will be rephrased to read, "Social services should be delivered in a more cost-efficient, effective, productive and coordinated manner based on client needs."

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Under "Transfer Recipients," the recommendation on the bottom of page 18 will be rephrased to read: "A determination should be made of the most cost-efficient mechanisms available for the delivery of services provided by the province's major transfer recipients. This process could also involve comprehensive evaluations of the outcomes and results of service delivery."

The Chair: You've done a good job, Ms Campbell. Any dissenting opinions, if any, should be delivered to the clerk's office by Thursday, March 25, at 1 pm.

Mrs Caplan: There is one thing I think we might add. I think it's a reasonable proposal. That is, in the programs the Treasurer is funding, it seems to me that it's a waste of taxpayers' money to advertise programs that are failing, so perhaps one of the things that we could look at—I was just reading an article that appeared on Sunday that said that the Jobs Ontario Training program has created less than 50% of the jobs it promised and that the response from the government has been to announce a \$1.5-million ad campaign touting the program and how good it's been. So it seems to me—

Mr Wiseman: I believe I read another article on the weekend that said—

The Chair: Mr Wiseman, you'll have your opportunity.

Mrs Caplan: It seems to me that perhaps it would be a good idea to suggest that they review the advertising budgets to make sure they're not doing false advertising.

The Chair: But I bet Mr Kwinter advertises his hot dogs more when sales go down, to increase sales. I'll go to Mr Wiseman.

Mr Wiseman: I read an article on the weekend as well, Ms Caplan, that said the whole program is gaining momentum and steam as more and more business people become aware of it, and that the difficulty with the program is that not enough people are aware of it. In my own riding I've had people who, when I've told them about this program, decided they would like to become involved in it and now have hired people. So it's a matter of getting people to know what's going on.

Mrs Caplan: That's a year late. You made a commitment to a program that was supposed to create jobs and now, a year later—

Mr Wiseman: Well, if you want to go on like this, Elinor—

Mrs Caplan: I'm being gratuitous, Mr Chairman, but it is very frustrating to sit here in the finance and economics committee discussing advice to the government for budgetary matters when you see programs that were announced over a year ago which are clearly failing, and we just had a whole discussion about program evaluation and checking results and outcomes and making sure we're getting value for money on behalf of the taxpayers. When the suggestion is made that at least you not do false advertising or that you look at how you can make programs successful in the first place—

The Chair: I thought it started in August.

Mrs Caplan: —they just get upset and annoyed. I was trying to be helpful and express my frustration, Mr Chairman. Forget it.

Mr Perruzza: Mr Chairman, a point of order. Actually, it's not so much a point of order; it's simply an observation which I'd like to put before this committee and on the record, and I'll end by asking the member a question. I watched her television show for the past month—

The Chair: Through the Chair.

Mr Perruzza: Through the Chair, Mr Chairman, of course. I wouldn't dream of doing it any other way.

I just happened to be in the whip's office, and in the process of having to kill 15 or 20 minutes while I was waiting for an appointment, I happened to turn on the television and I noted that the member for Oriole had her program on. I can tell you that in that 15 minutes she did not once mention the Jobs Ontario Training program, not once. She mentioned Horizons, and I remember she was interviewing two of her staff members.

It's called information sharing, Mr Chairman, and I thought she was doing a great disservice to the unemployed people in her community and people on social assistance by not providing the number and the information for the program. Obviously, people in her own riding would have been able to call the numbers and access the information, both employers and the unemployed alike, but not once did that happen, and it boggled my mind. I'd like to ask the member very directly in this committee, what have you done to sell the program and to talk about it with your constituents and with your employers so they could participate in it and make it successful?

The Chair: You've both had your shots, okay?

Mr Jamison: Up until now it's been going quite well.

The Chair: Unload the gun, Mr Jamison. Just put it back in your holster, okay?

Mr Perruzza: Mr Chairman, I asked a question.

The Chair: You don't need an answer on that. You know what the answer will be.

Interjections.

The Chair: Look. Let's adjourn, and then everybody can shout back and forth, okay?

The other thing is, do we want to have a subcommittee meeting on Wednesday afternoon to look over the report?

Mr Carr: I just wanted to see the timing of this. I know there was some debate. Norm may know this. I'm thinking now of two things: one for Elaine, and the other one is for any minority reports. When we originally discussed this, I think we thought we'd be coming back on the regular calendar. I'd like to see a little more time for Elaine to get all this together. I know she's working through lunches. What time frame are we looking at, Norm, in getting this into the hands of the Treasurer? I'm thinking that the budget now probably won't come down until May.

Mr Jamison: From my understanding, we've basically pushed the limit at this point. We're very, very short on time.

The Chair: It was supposed to be handed to the Treasurer today, I believe.

Mr Kwinter: My understanding is that it was supposed to go to the Treasurer on Thursday.

The Chair: Well, it was supposed to go today, but we had to have one more day.

Mr Jamison: Again, it depends on how much value you place on the report in the Treasurer's hands. I mean, the Treasurer should have this report to look at, to assess in his major decision-making capacity as far as the upcoming budget is concerned. He has to have that in his hands in enough time to affect all areas. I think some areas are on the verge of having decisions made at this point.

Mr Carr: We're not going to have the budget until, at the very earliest, early May now.

The Chair: It has to be tabled on April 14, the second sitting day.

Mr Carr: When the House comes back?

Interjection: This report does, yes.

The Chair: This report is going to the Treasurer ahead of time, and it has to be in English and French and printed, so there isn't very much time left.

Mr Jamison: Not a lot of time, folks.

The Chair: Your report's very short, isn't it, Mr Carr? Does the subcommittee want to have a meeting Wednesday to look over the final we've prepared today?

Mr Kwinter: Sure.

The Chair: Mr Carr?

Mr Carr: What time?

The Chair: What time would you want?

Interjections.

The Chair: Let's talk about that after the exact time, okay?

Mr Carr moves that the Chair be authorized to present the report to the House. All in favour of the motion? I should say first, any discussion? I don't think there's any discussion; we discussed it all day. Passed.

Mr Perruzza: Mr Chairman, just a thank you to the staff for their indulgence and their patience, and to Elaine for an excellent job.

Mrs Marland: Oh, they love their job.

The Chair: I thank you for your attendance here today, Mr Perruzza. I'd like to thank all the committee. I think this is the last day I'm sitting as committee Chair. It's been well working with—I guess one person left us. No, a couple left, Mr Kwinter and Mr Jamison, from when we started out three years ago.

Mr Wiseman: Now I'm here.

The Chair: Yes, you're back again.
This committee is adjourned.

The committee adjourned at 1518.

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

***Chair / Président:** Hansen, Ron (Lincoln ND)

***Acting Chair / Président suppléant:** Wiseman, Jim (Durham West/-Ouest ND)

Vice-Chair / Vice-Président: Sutherland, Kimble (Oxford ND)

***Caplan, Elinor** (Oriole L)

***Carr, Gary** (Oakville South/-Sud PC)

Christopherson, David (Hamilton Centre ND)

***Jamison, Norm** (Norfolk ND)

***Kwinter, Monte** (Wilson Heights L)

Phillips, Gerry (Scarborough-Agincourt L)

Sterling, Norman W. (Carleton PC)

Ward, Brad (Brantford ND)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

Dadamo, George (Windsor-Sandwich ND) for Mr Sutherland

Harrington, Margaret H. (Niagara Falls ND) for Mr Ward

MacKinnon, Ellen (Lambton ND) for Ms Ward

Marland, Margaret (Mississauga South/-Sud PC) for Mr Sterling

Perruzza, Anthony (Downsview ND) for Mr Christopherson

Clerk / Greffière: Grannum, Tonia

Staff / Personnel: Campbell, Elaine, research officer, Legislative Research Service

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